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Position 5

Form RD 1927-1 KY
(Rev. 1-97)

REAL ESTATE MORTGAGE FOR KENTUCKY

204642

THIS MORTGAGE is made and entered into by SOUTH EASTERN WATER ASSOCIATION, INC.

residing in PULASKI COUNTY, KENTUCKY,
whose post office address is P.O. BOX 778, SOMERSET, Kentucky, 42502

herein called "Borrower," and:

WHEREAS Borrower is indebted to the United States of America, acting through the United States Department of Agriculture, herein called the "Government," as evidenced by one or more promissory notes or assumption agreements or any **shared appreciation** or recapture agreement, herein called "note," which has been executed by Borrower, is payable to the order of the Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described as follows:

Date of Instrument	*Principal Amount*	*Annual Rate of Interest*	*Due Date of Final Installment*
	SEE EXHIBIT "A" ATTACHED		

(The interest rate for limited resource farm ownership or limited resource operating loans secured by this instrument may be increased as provided in the Government regulations or the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note pursuant to the Consolidated Farm and Rural Development Act, Title V of the Housing Act of 1949 or any other statute administered by the Government;

And it is the purpose and intention of this instrument that, among other things, at all times when the note is held by the Government, or in the event the Government should assign this instrument, this instrument shall secure payment of the note;

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower by the Government pursuant to 42 U.S.C. § 1490a, or any amounts due under any Shared Appreciation Agreement/Recapture Agreement entered into pursuant to 7 U.S.C. §2001.

NOW, THEREFORE, in consideration of the loans and (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision and (b) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement, Borrower does hereby sell, convey, and assign, with general warranty, unto the Government the following property situated in the State of Kentucky,

County or Counties of PULASKI

SEE EXHIBIT "B" ATTACHED

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being the same (or part of the same) land conveyed*
together with all rights (including the rights to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues and profits thereof and revenues and income therefrom, all improvements, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest there in all of which are herein called "the property"; All rents, profits and income from the property covered by this mortgagee are hereby assigned to the mortgagee for the purpose of discharging the debt hereby secured. Permission is hereby given to the mortgagor, so long as no default exist hereunder, to collect such rents, profits and income for use in accordance with regulations.

TO HAVE AND TO HOLD the property unto the Government and its assigns forever in fee simple.

BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS THE TITLE to the property to the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

(1) To pay promptly when due any indebtedness to the Government hereby secured less the Government against any loss under its insurance of payment of the note by reason of any default by Borrower.

(2) To pay to the Government such fees and other charges as may now or hereafter be required by Government regulations.

(3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.

(4) The Government, may at any time pay any other amounts required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.

(5) All advances by the Government as described in this instrument, with interest, shall be immediately due and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payment made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.

(6) To use the loan evidenced by the note solely for purposes authorized by the Government.

(7) To pay when due all taxes, liens, judgments encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges and assessments in connection with water, water rights and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.

(9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe, and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.

(10) To comply with all laws, ordinances, and regulations affecting the property.

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property. Upon termination of this mortgage, after payment in full, the mortgagee, at the mortgagor's expense, shall execute and file or record such instruments of release, satisfaction and termination in proper form pursuant to the requirements contained in KRS 382.365.

(12) Except as otherwise provided by Government regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold transferred, or encumbered voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as mortgagee hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in any supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal balance, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government—whether once or often—in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(16) Default hereunder shall constitute default under any other real estate, or under any personal property, or other security instrument held by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(17) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should any one of the parties named as Borrower die or be declared an incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent, or make an assignment for the benefit of creditors, the Government, at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, (d) foreclose this instrument as provided herein or by law, and (e) enforce any and all other rights and remedies provided herein or by present or future law.

(18) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to the Government, and (f) any balance to Borrower. At foreclosure or other sale of all or any part of the property, the Government and its agents may bid and purchase as a stranger and may pay the Government's share of the purchase price by crediting such amount on any debts of Borrower owing to the Government, in the order prescribed above.

(19) Borrower agrees that the Government will not be bound by any present or future State laws, (a) providing for valuation, appraisal, homestead or exemption of the property, (b) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action may be brought, (c) prescribing any other statute of limitations, (d) allowing any right of redemption or possession following any foreclosure sale, or (e) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State law. Borrower hereby relinquishes, waives, and conveys all rights, inchoate or consummate, of descent, dower, and curtesy.

(20) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, handicap, familial status, age or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, handicap, familial status, age or national origin.

(21) Borrower further agrees that the loans secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as prohibited by 7 C.F.R. part 1940, subpart G.

(22) This instrument shall be subject to the present Government regulations and to its future regulations not inconsistent with the express provisions hereof.

(23) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, and addressed, unless and until some other address is designated in a notice so given, in the case of the Government to, 95 S. LAUREL RD, ST. 1, LONDON, KY 40744 and in the case of Borrower to the address shown in the Government's Finance Office records (which normally will be the same as the post office shown above).

(24) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

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Given under the hands and seals of Borrower this 17 day of SEPTEMBER, ~~19~~ 2004

X Joe Richards, I (SEAL)

_______________ (SEAL)

STATE OF KENTUCKY
COUNTY OF PULASKI } ss:

Before me, D. BRUCE ORWIN, a Notary Public in and for the County of PULASKI personally appeared JOE RICHARDS I and N/A, his wife, who acknowledged that they executed the foregoing instrument on the 17 day of SEPTEMBER, ~~19~~ 2004, as their free act and deed.

WITNESS my hand and official seal this 17 day of SEPTEMBER, ~~19~~ 2004

____
Notary Public

(SEAL)
My commission expires: 4 APRIL 2008

PREPARER'S STATEMENT

The form of this instrument was drafted by the Office of the General Counsel of the United States Department of Agriculture, and the material in the blank spaces in the form was inserted by or under the direction of

D. BRUCE
ATTORNEY
(name),
P.O. BOX 716 SOMERSET, KY 42502
(address)

____
(Signature)

RECORDER'S SIGNATURE

STATE OF KENTUCKY
COUNTY OF _______________ } ss:

I, _______________, Clerk of the County Court for the County aforesaid, do certify that the foregoing mortgage was on the _______ day of _______, 19__, lodged for record at ____ o'clock ____ M., whereupon the same, with the foregoing and this certificate, have been duly recorded in my office.

Given under my hand this _______ day of _______, 19__.

____
Clerk of _______________ *County Court*
By _______________, D.C.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1997—551-495

EXHIBIT "A"

(1) Assumption Agreement dated September 14, 1995, with a final maturity of September 14, 2033, assuming notes totaling $981,713.42;

(2) Assumption Agreement dated September 14, 1995, with a final maturity of September 14, 2029, assuming notes totaling $557,413.09;

(3) Assumption Agreement dated September 14, 1995, with a final maturity of September 14, 2032, assuming notes totaling $713,474.70

(4) Assumption Agreement dated February 12, 1997, with a final maturity of October 17,2041, assuming notes totaling $365,411.33;

(5) Promissory note dated September 14, 1995 , to secure repayment of a note of $136,000.00 with a final due dated September 14, 2035;

(6) Promissory note dated September 14, 1995 , to secure repayment of a note of $237,000.00 with a maturity date September 14, 2035;

(7) Promissory note dated February 12, 1997 , to secure repayment of a note of $165,100.00 with a final repayment dated February 12, 2037

(8) Promissory note dated February 12, 1997 , to secure repayment of a note of $250,000.00 with a final repayment dated February 12, 2037

(9) Promissory note dated July 10, 2001 , to secure repayment of a note of $1,479,000.00 with a final repayment date of July 10, 2041;

(10)Promissory note dated September 17, 2004 , to secure repayment of a note of $1,833,000.00 with a final repayment date of September 17, 2044;

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EXHIBIT "B"

All those tracts of real property conveyed unto the Southeastern Water Association, Inc, and the predecessor legal entities of the Southeastern Water Association, Inc., by deeds referred to below. Reference is made to those deeds for a more complete description:

<u>Tateville Water Association, Inc.</u>

T-1 Deed Book 484, Page 278
T-2 Deed Book 484, Page 276
T-3 Deed Book 355, Page 455
T-4 Deed Book 355, Page 457

<u>Elihu-Rush Branch Water Association, Inc.:</u>

ER-1 Deed Book 518, Page 415
ER-2 Deed Book 412, Page 019
ER-3 Deed Book 534, Page 579
ER-4 Deed Book 324, Page 513

<u>Nelson Valley Water Association, Inc:</u>

N-1 Deed Book 538, Page 469
N-2 Deed Book 531, Page 397
N-3 Deed Book 520, Page 582
N-4 Deed Book 526, Page 055
N-5 Deed Book 527, Page 558
N-6 Deed Book 292, Page 001
N-7 Deed Book 292, Page 132

<u>Barnesburg Water Association, Inc.</u>

B-1 Deed Book 501, Page 155
B-2 Deed Book 424, Page 215
B-3 Deed Book 424, Page 218
B-4 Deed Book 320, Page 225

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B-5 Deed Book 320, Page 162
B-6 Deed Book 320, Page 227

Southeastern Water Association, Inc.:

SE-1 Deed Book 677, Page 082

Southeastern Water Association, Inc., was formed by consolidation of Nelson Valley Water Association, Inc. and Elihu Tateville Water Association, Inc., by Articles of Consolidation filed December 27, 1993 and filed of record in Articles of Incorporation Book 17, Page 665, Pulaski County Court Clerk's Office. Elihu Tateville Water Association, Inc., was formed by consolidation of Tateville Water Association, Inc., and Elihu Rush Branch Water Association, Inc., by Articles of Consolidation recorded July 22, 1991 filed of record in Articles of Incorporation Book 16, Page 163, Pulaski County Court Clerk's Office. Barnesburg Water Association, Inc., and South Eastern Water Association, Inc., merged by virtue of Articles of Merger dated October 14, 1996 and filed of record in Incorporation Book 20, Page 91, clerk's office aforesaid.

STATE OF KENTUCKY, COUNTY OF PULASKI, SCT. I, WILLARD HANSFORD, CLERK OF THE PULASKI COUNTY COURT, DO CERTIFY THAT THE FOREGOING INSTRUMENT WAS ON THE 10 DAY OF July 01 AT 11:31 A.M. LODGED FOR RECORD, AND THAT IT HAS BEEN DULY RECORDED IN MY SAID OFFICE, TOGETHER WITH THIS AND THE CERTIFICATE THEREON ENDORSED. GIVEN UNDER MY HAND THIS 10 DAY OF July 01 : Mtg BOOK 651 PAGE 458
ATTEST: WILLARD HANSFORD, CLERK
BY Zeala Hall D.C.

STATE OF KENTUCKY, COUNTY OF PULASKI, SCT. I TRUDY DENHAM, CLERK OF THE PULASKI COUNTY, DO CERTIFY THAT THE FOREGOING INSTRUMENT WAS ON THE 17 DAY OF Sept 20 04, AT 11:29 M. LODGED FOR RECORD, AND THAT IT HAS BEEN DULY RECORDED IN MY SAID OFFICE, TOGETHER WITH THIS AND THE CERTIFICATE THEREON ENDORSED, GIVEN UNDER MY HAND THIS 17 DAY OF Sept 20 04 misc BOOK 901 PAGE 343
ATTEST: TRUDY DENHAM, CLERK
BY Betty Nagel D.C.