

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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PUBLIC SERVICE COMMISSION

APPLICATION OF BULLOCK PEN WATER)
DISTRICT FOR APPROVAL TO ENTER INTO A)
LEASE AGREEMENT WITH THE BANK OF)
KENTUCKY, INC. IN A PRINCIPAL AMOUNT)
NOT TO EXCEED \$860,000.00 FOR THE PURPOSE) CASE NO. 2012-_____
OF REFINANCING CERTAIN OUTSTANDING)
DEBT OBLIGATIONS BETWEEN THE KENTUCKY)
RURAL WATER FINANCE CORPORATION AND)
THE BULLOCK PEN WATER DISTRICT)

APPLICATION

The Applicant, Bullock Pen Water District (the "District"), by counsel, files this Application pursuant to KRS 278.300, 807 KAR 5.001 and all other applicable laws and regulations and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to enter into a certain Lease Agreement (the "Lease") with The Bank of Kentucky, Inc. (the "Bank of Kentucky"). Proceeds of the Lease will be used by the District to refund and retire outstanding long term debt obligations due and owing to the Kentucky Rural Water Finance Corporation ("KRWFC") by the District. The proposed refinance will provide debt service savings to the District and resulting savings to its rate payers.

In support of this Application, the District states as follows:

1. The full name and post office address of the Applicant is the Bullock Pen Water District, 1 Farrell Drive, P.O. Box 188, Crittenden, Kentucky 41030.
2. The governing body of the District is its Board of Commissioners, a body corporate with the power to make contracts in the furtherance of its lawful and proper purposes as provided for in KRS 74.010 et seq. The District is now, and has been since its formation,

regulated by the Commission, all records and proceedings of the Commission with reference to the District are incorporated in this Application by reference.

3. This Application is made pursuant to the provisions of KRS 278.160; 807 KAR 5.001 and 807 KAR 5:011.

4. The District is a non-profit water district organized under the provisions of KRS Chapter 74 and has no separate Articles of Incorporation.

5. Pursuant to 807 KAR 5:011, Section 3, the District states:

- A. The District provides water service for approximately 6,750 customers within its territory. The vast majority of these customers are residential in nature with a limited number of commercial and industrial customers.
- B. The territory serviced by the District includes Grant, Boone, Kenton, Owen, Pendleton and Gallatin Counties.
- C. No increase in the rates charged by the District will be necessary to effectuate this refinance.
- D. The District anticipates savings of approximately \$130,000.00.

6. A description of the District's water treatment and distribution system, including its property, together with a statement of the original cost, is contained in the District's December 31, 2011 year end Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

7. The District proposes to enter into the Lease with The Bank of Kentucky in an amount not to exceed \$860,000.00 for the purpose of refinancing outstanding obligations due and owing KRWFC dated as follows:

- A. 1978 Series Bonds in the original issue of \$1,330,000.00 dated December 21, 1978 with an outstanding approximate balance of \$400,000.00 as of January 1, 2013. A copy of the relevant portions of the original Assistance Agreement is attached hereto as Exhibit "1" ("1978 Series Bonds").

- B. Phase V Surcharge Series 2001 C Loan dated May 15, 2002 in the original principal sum of \$374,000.00 with an approximate balance of \$281,000.00 as of January 1, 2013. A copy of the original Assistance Agreement is attached hereto as Exhibit "2" ("Phase V Surcharge Series 2001 C Loan").
- C. Phase V District Series 2001 C Loan dated May 15, 2002 in the original principal sum of \$341,000.00 with a balance as of January 1, 2012 is \$254,000.00. A copy of the original Assistance Agreement is attached hereto as Exhibit "2" ("Series 2001 C Loan")

8. The refinancing of the KRWFC obligations will be refinanced through the Lease which shall be payable over a period of 10 years and bearing interest at the rate of 2.8% per annum. The current debt obligation to KRWFC on the 1978 Series Bonds bears interest at the rate of 5.0% with a 6 year debt payment remaining on the initial obligation; the Phase V Surcharge Series 2001 C Loan bears interest at the rate of 5.15% to 5.45%; and the Series 2001 C Loan bears interest at the rate of 5.15% to 5.45% with a 6 year remaining term on the initial obligation.

9. The final principal amount of the Lease will be adjusted to match the final principal amount of the KRWFC outstanding balance as of the actual refinance date less the amount held in the debt service funds. It is anticipated by the District that the outstanding principal balance owing on the combined KRWFC obligations will be \$935,000.00 as of January 1, 2013 (see attached Exhibit "3"). A summary of the three (3) long terms debts and their remaining payment schedules and the anticipated balances in the price issue debt service funds is attached as Exhibit "3".

10. A copy of the Lease Amortization Schedule is attached as Exhibit "4".

11. A Resolution of the District authorizing the execution and delivery of the Lease is attached hereto and identified as Exhibit "5". A copy of the Lease is attached as Exhibit "6".

12. The District has determined and represents that the Lease is in the public's interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing debt service savings. This is a lawful objective within the public purposes of the District's utility operations. The Lease is necessary, appropriate for and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

13. The District represents that it will, as soon as is reasonably possible after the closing of the Lease, file with the Commission a statement setting forth the date of issuance of the Lease, the final payment amounts, all fees and expenses incurred in the refinancing and the terms and interest rates of the Lease.

14. The District requests that it be granted a deviation under 807 KAR 5:004 necessary to accommodate any situation where inflexible compliance with a regulation would be impractical or which would hinder the District's daily operations. The District states that there has been no material change in the financial condition or operation of the District since its December 31, 2011 year end financial audit. The financial data filed with this Application is the most recent published audited financial data available.

15. Pursuant to 807 KAR 5:001, Section 11(1)(e), the District states as follows:

- (a) Peck, Shaffer & Williams, LLP
Mr. Dirk Bedarff
50 East Rivercenter Blvd.
Covington, KY 41011

The District has hired the aforementioned firm and Mr. Dirk Bedarff for the purpose of preparing the Lease Agreement; Resolution; and all related loan documents. Peck, Shaffer & Williams, LLP was hired at the request of the lender, The Bank of Kentucky. The total fee for Peck, Shaffer & Williams, LLP's service is \$7,500.00.

(b) Berger, Cox & Nienaber, P.S.C.
Thomas R. Nienaber
401 Madison Avenue
Covington, KY 41011


Mr. Nienaber is regular counsel for the District. His charges for additional work, including obtaining PC Commission approval would be approximately \$2,500.00.

16. Calculations supporting the District's determination of savings by refinancing the subject long term debts are contained in Exhibit "3" as attached. The Total savings realized by refinancing is approximately \$130,000.00.

17. The net present cash value of savings resulting from the refinancing is \$82,666.09. The calculations supporting that savings are contained are attached in Exhibit "3".

18. The balance and debt service reserve funds and the long term debt obligations to be refinanced is contained in the attached Exhibit "3".


BULLOCK PEN WATER DISTRICT

BY: 
BOBBY BURGESS, CHAIRMAN

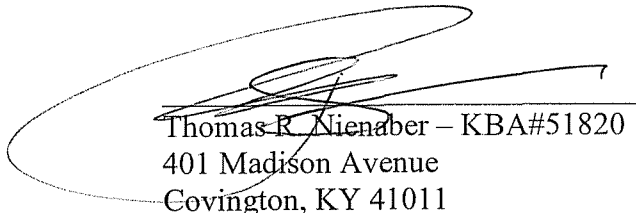
COMMONWEALTH OF KENTUCKY

COUNTY OF GRANT

SUBSCRIBED, SWORN TO AND ACKNOLWEDGED before me by the said Bobby Burgess, Chairman, Bullock Pen Water District, this 20 day of November, 2012.


Notary Public
My Commission: 3/24/16
Notary ID: 463781

BERGER, COX & NIENABER, P.S.C.



Thomas R. Nienaber – KBA#51820
401 Madison Avenue
Covington, KY 41011
(859) 491-9088

EXHIBIT “1”

BOND RESOLUTION

BULLOCK PEN WATER DISTRICT

WATERWORKS REVENUE BONDS OF 1978

IN THE AMOUNT OF

\$1,330,000

ARTICLE 4.

OPERATION OF SYSTEM; FLOW OF FUNDS; CURRENT BONDS SUBJECT TO PRIORITY OF PRIOR BONDS; MONTHLY PAYMENTS OF PRINCIPAL AND INTEREST SO LONG AS FmHA HOLDS OR INSURES THE CURRENT BONDS.

SECTION 401. OPERATION OF SYSTEM TO CONTINUE AS HERETOFORE; PROVISIONS OF PRIOR BOND RESOLUTION INCORPORATED HEREIN; CREATION OF NEW FUNDS.

All proceedings preliminary to and in connection with the issuance of the outstanding Prior Bonds of the District, including provisions made for the receipt, custody and application of the proceeds of said Bonds; for the operation of the waterworks system on a revenue-producing basis; for the segregation, allocation and custody of the revenues derived from the operation of the system; for the enforcement and payment of said Bonds; and all other covenants for the benefit of bondholders set out in the Prior Bond Resolution, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Prior Bonds, and (subject to the priority of the Prior Bonds) of the Current Bonds herein authorized, the same as if such provisions and proceedings were repeated in full herein; provided, further, that, after the issuance of the Current Bonds, the income and revenues of the system shall be collected, segregated, accounted for and distributed as follows:

A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was heretofore created by the Prior Bond Resolution, which fund has been and is designated and identified as the "Waterworks System Revenue Fund" (the "Revenue Fund"), in the custody of the District Treasurer, which fund has been deposited with and shall continue to be maintained and deposited with the Depository Bank, so long as any of the Prior Bonds, the Current Bonds, or any parity bonds are outstanding. The District covenants and agrees that it will continue to deposit therein,

promptly as received from time to time, all cash income and revenues of the system, as same may be extended and improved from time to time. The moneys in the Revenue Fund from time to time shall continue to be used, disbursed and applied by the District only for the purpose and in the manner and order of priorities specified in the Prior Bond Resolution, as hereinafter modified, all as permitted by the applicable statutes, and in accordance with previous contractual commitments as follows:

A. Prior Sinking Fund.

A separate and special fund or account of the District was created in Section 9A of the Prior Bond Resolution, entitled "Waterworks System Revenue Bond and Interest Sinking Fund" (the "Prior Sinking Fund"), into which the District covenanted to deposit on or before the 20th day of each month from the Revenue Fund, as a first charge thereon, sums not less than:

(1) A sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all Prior Bonds then outstanding, and

(2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior Bonds maturing on the next succeeding September 1, plus

(3) The sum of \$200.00 per month to be held in said Fund and accumulated for a Debt Service Reserve, until such time as the amount of such Reserve, after making provision for paying all Prior Bonds and coupons becoming due on and prior to the next succeeding September 1, is equal to at least 6% of the Prior Bonds authorized and delivered; and thereafter, in like manner and amount, such deposits shall be resumed and continued whenever and so long as may be necessary to accumulate and maintain such Debt Service Reserve to an amount equal to at least 6% of the Prior Bonds authorized and delivered.

The District hereby covenants to continue making the deposits specified in (1), (2) and (3) above in said Depository Bank with reference to the Prior Bonds until the balance in said Prior Sinking Fund is sufficient to pay the interest and principal next becoming due on all of the Prior Bonds

and until there has been accumulated and is being maintained in the Debt Service Reserve in the amount of \$21,060 (6% of the \$351,000 of Prior Bonds which were actually issued).

Said Prior Sinking Fund shall be used solely and only and has been (in the Prior Bond Resolution) and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

Whenever the aforesaid Debt Service Reserve has been accumulated in the specified amount, the deposits into the Prior Sinking Fund may thereafter be reduced to sums not less than (1) a sum equal to 1/6 of the next succeeding interest installment to become due on the Prior Bonds then outstanding; and (2) a sum equal to 1/12 of the principal of the Prior Bonds maturing on the next succeeding September 1.

If the District shall for any reason fail to make any required monthly deposit, then an amount equal to the amount of the deficiency shall be set apart and deposited into the Prior Sinking Fund out of the first available gross revenues in the ensuing month or months, which amount shall be in addition to the monthly deposit required above during such succeeding month or months.

B. Current Sinking Fund.

At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account an amount sufficient (currently estimated at \$75,000) to provide for capitalized interest during the construction of the construction project, as approved by the Engineers and by the FmHA, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the construction project. Such amount so transferred from the Construction Account shall be deposited in the

Payor Bank in the "Bullock Pen water District Waterworks Bond and Interest Sinking Fund of 1978" (the "Current Sinking Fund"), hereby created.

After the transfers required in the preceding sub-paragraph to be made in each month have been paid from the Revenue Fund, and after the expiration of the month in which interest on the Current Bonds is last payable out of the sum set aside into the Current Sinking Fund as capitalized interest, there shall next be transferred in each month from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (or such larger amount as is necessary) of the next succeeding six-month interest installment to become due on the Current Bonds then outstanding, plus
- (2) Beginning in January, 1980, a sum equal to one-twelfth (or such larger amount as is necessary) of the principal of any Current Bonds maturing on the next succeeding January 1.

After all of the transfers required to be made in Sub-Paragraph A above and in the foregoing provisions of this paragraph B, have been made, there shall next be transferred from the Revenue Fund to the Current Sinking Fund, to be held as a reserve therein (the "Current Reserve Fund"), the sum of \$660 each month until there is accumulated in such Current Reserve Fund the sum of \$79,200, after which no further deposits need be made into such Fund except to replace withdrawals.

If the District for any reason shall fail to make any monthly deposits as required, then an amount equal to the deficiency shall be set apart and deposited into the Current Sinking Fund and/or the Current Reserve Fund out of the first available revenues in the ensuing month or months, which amount shall be in addition to the monthly deposit(s) otherwise required

during such succeeding month or months. Whenever there shall accumulate in the Current Sinking Fund and/or in the Current Reserve Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest on outstanding Current Bonds as same fall due, and if at such time the District is in compliance with all provisions of the Prior Bond Resolution, such excess amount may be used for redemption of such Current Bonds prior to maturity, as set forth in Section 205 hereof.

On or before the first days of January and/or July in each year, the Payor Bank shall transfer from the Current Sinking Fund and from the Current Reserve Fund (if necessary) a sum equal to the interest or a sum equal to the principal and interest, as the case may be, becoming due on the next following respective January 1 and/or July 1, and deposit the same in an account hereby created and identified as the "Bullock Pen Water District 1978 Waterworks Bond and Interest Payment Account," and shall notify the alternate payor bank, if any, that the same is held as a trust fund to be drawn upon by the paying agent(s) to pay maturing coupons, and/or interest installments, or Bonds and coupons, and/or principal and interest installments, as the case may be, upon presentation thereof on or after maturity and upon surrender of maturing Bonds and/or coupons.

The Payor Bank and the District Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal and interest on any Coupon Bonds. Provided, however, that so long as the only Bond(s) outstanding is (are) Fully Registered Bond(s), the functions contemplated by this paragraph shall be performed by the District Treasurer.

All funds in the Current Sinking Fund and in the Current Reserve Fund shall be deposited in the Depository Bank, or such portion of said amounts on deposit in said respective Funds as is designated by the Commission shall be invested for the benefit of such respective Funds in Certificates

of Time Deposit, savings accounts, or U. S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for meeting interest and/or principal payments, to mature or be called, provided that to the extent that any amounts on deposit in said Bank shall cause the total deposits of the District in said bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U. S. Obligations, having an equivalent market value, in conformity with KRS 66.480. Investments in Certificates of Time Deposit may be made only if a separate FmHA Form 402-4 agreement is executed, if the FmHA has purchased any of the Bonds. Any such investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds.

C. District To Make Principal And Interest Payments On Current Bonds On A Monthly Basis So Long As FmHA Holds Or Insures All Current Bonds.

So long as all of the Current Bonds are held or insured by the FmHA, the District shall, if requested by the FmHA, make payments of amounts equal to the total of the payments required by subsections (1) and (2) of the preceding Section B being the total of the monthly principal and interest requirements of the Current Bonds, in monthly payments to the FmHA or to the insured owner of the Current Bonds, out of the Current Sinking Fund; provided further that at the option of any other owner of all of the Current Bonds, such payments shall similarly be made in monthly payments to such owner.

D. Depreciation Fund.

A separate and special fund or account of said District was created in Section 9B of said Prior Bond Resolution, which fund was designated "Waterworks System Depreciation Fund" (the "Depreciation Fund"), which fund is hereby ratified, confirmed and ordered to be continued so long as any of the Prior

Bonds, the Current Bonds and any parity bonds are outstanding. Said Prior Bond Resolution required and it is hereby required (subject to the modifications set out herein) that from the balance of the income and revenues of the system remaining after the transfers required in Subsections A and B above are made in each month, there shall be set aside into said Depreciation Fund the sum of \$75.00 per month for the purpose of accumulating and maintaining therein a balance of at least \$12,000, which sum may be expended in making good any depreciation in the system and in making any additions or improvements to the system. It was further provided in the Prior Bond Resolution, that moneys at any time in the Depreciation Fund shall be transferred to the Prior Sinking Fund if and to the extent required in order to prevent default in the payment of the principal of or interest on any Prior Bonds outstanding. It is hereby ordered that all such Depreciation Fund provisions shall continue in effect without reduction so long as any of the Prior Bonds and/or Current Bonds are outstanding.

Funds in the Depreciation Fund may be invested in U. S. Obligations, as defined herein, as shall be determined by the Commission, and all such investments, as well as the income therefrom, shall be carried to the credit of the Depreciation Fund.

In addition to the monthly transfers and the maintenance of the minimum balance in said Depreciation Fund, the Prior Bond Resolution requires that there be deposited in the Depreciation Fund the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of further extensions and improvements, and the proceeds from any property damage insurance, and that such amounts so deposited be used only for the purposes for which such Fund is established.

It was provided in said Prior Bond Resolution, and is hereby again reaffirmed, that after said balance of \$12,000 shall have been accumulated in the Depreciation Fund, the monthly deposits therein may be discontinued, but such deposits shall be resumed whenever authorized disbursements therefrom shall reduce the balance below \$12,000 and shall be continued until such balance is restored.

E. Operation and Maintenance Fund.

A separate and special fund or account of the District was created in Section 9C of the Prior Bond Resolution, which Fund was designated as the "Waterworks System Operation and Maintenance Fund" (the "Operation and Maintenance Fund"). Said Prior Bond Resolution required that from the balance of the income and revenues of the system remaining after the transfers required in Subsections A and D above are made in each month (herein adjusted to refer to transfers required in Subsections A, B and D), there shall be transferred into said Operation and Maintenance Fund such sums as may be sufficient to meet the reasonable and necessary current expenses of operating and maintaining the system, pursuant to the "Annual Budget for Current Expenses". Said Operation and Maintenance Fund shall be maintained so long as any of the Prior Bonds, the Current Bonds and any additional parity bonds are outstanding.

ARTICLE 5.

COVENANTS OF DISTRICT TO BONDHOLDERS

So long as any of the Current Bonds are outstanding and unpaid (and not provided for or defeased as permitted by Section 703 hereof), the District covenants as follows:

SECTION 501. RATES AND CHARGES.

The rates and charges for all services and facilities rendered by the system shall be reasonable and just, taking into account and consideration the cost and value of the system (including all extensions, additions and improvements thereto), the cost of maintaining, repairing and operating the same, and the amounts necessary for the payment of principal of and interest on all bonds outstanding against the system, and there shall be charged such rates and charges as shall be adequate to meet the requirements of this and ARTICLE 4 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the system without first filing with the Secretary a certification of an Independent Consulting Engineer, as defined herein, that the annual net revenues (defined as gross revenues less current expenses) of the then existing system for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in "annual net revenues" anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the system, calculated in the manner specified in Section 603 hereof.

SECTION 502. BOOKS AND ACCOUNTS.

If and to the extent not now fully required by the Prior Bond Resolution, the District shall install and maintain proper records and accounts

relating to the operation of the system and its financial affairs, and the holders of any of the Prior Bonds or of the Current Bonds, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the system and all records, accounts and data relating thereto. An annual audit on a fiscal year basis shall be made of the books and accounts pertinent to the system by a Certified Public Accountant licensed in Kentucky. No later than sixty days after the close of each fiscal year, copies of such audit reports certified by such Accountant shall be promptly mailed to the Government without request, so long as the Government is the holder of any of the Current Bonds, and to any bondholder that may have made a written request for same. Monthly operating reports shall be furnished to the FmIA and to any bondholder requesting same, during the first two years of operation after completion of the construction project, and whenever and so long as the District is delinquent in any of the covenants set out herein. Quarterly operating reports shall be furnished to such parties at all other times.

SECTION 503. SYSTEM TO CONTINUE TO BE OPERATED
ON FISCAL YEAR BASIS.

While any of the Prior Bonds, the Current Bonds and any parity bonds are outstanding and unpaid and to the extent not now prohibited by law, the system shall continue to be operated and maintained on a fiscal year basis commencing on September 1 of each year and ending on August 31 of the succeeding year, which period shall also constitute the fiscal year and budget year for the operation and maintenance of the system. Not later than 60 days after the beginning of each fiscal year, beginning immediately after the issuance of the Current Bonds, the District and the Commission agree to cause to be prepared a detailed statement of income and expenditures for the past year, a current financial statement and a "Proposed Annual Budget of Current Expenses" of the system for the then ensuing fiscal year, itemized on the basis

of monthly requirements. A copy of said "Proposed Annual Budget of Current Expenses" shall be mailed to any bondholder who may request in writing a copy of such Budget, and to the Government without request if the Government is the holder of any of the Current Bonds.

Current expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the system, but shall exclude depreciation, payments into the Sinking Fund, the Reserve Fund and the Depreciation Fund. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution by the District that such expenses are necessary to operate and maintain the system. At the same time and in like manner, the District shall prepare an estimate of gross revenues to be derived from the operation of the system for said Fiscal year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all outstanding bonds during the ensuing fiscal year, (b) to accumulate and maintain all required reserves enumerated herein, and (c) to pay Current Expenses, the District shall revise the rates and charges sufficiently to provide the funds required.

If the holders of at least 50% in amount of the outstanding Prior Bonds and Current Bonds, or the Government so long as it is the holder of any of said Bonds, so request, the Commission shall hold an open hearing not later than thirty days before the beginning of the ensuing fiscal year, at which time any bondholder may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least 15 days prior to the hearing to each registered bondholder and to the Government.

The District and its Commission covenant that annually before the first day of July, the annual budget of current expenses for the then current fiscal year will be adopted substantially in accordance with the preliminary or proposed annual budget, and that no expenditures for operation and maintenance expenses of the system in excess of the budgeted amount shall be made during such fiscal year unless directed by said District by a specific resolution duly adopted.

SECTION 504. GENERAL COVENANTS.

The District through its Commission hereby covenants and agrees with the holders of the Current Bonds that:

- (1) It will faithfully and punctually perform all duties with reference to the system required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the system;
- (3) It will segregate the revenues and income from the system and make application thereof consistent with and as provided by this Resolution;
- (4) Unless the written consent of the holders of a majority in amount of the outstanding Current Bonds plus all of the outstanding Prior Bonds, has been obtained, the District agrees not to sell, lease, mortgage, or in any manner dispose of any integral part of the system, including any and all appurtenances thereto and extensions, additions and/or improvements that may be made thereto until all of the Prior Bonds and all of the Current Bonds shall have been paid or provided for in full, as provided in Section 703 (Dafeasement) hereof, subject to the provisions of Section 606 hereof;
- (5) It will maintain in good condition and continuously operate the system and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times to pay the interest on and principal of the Prior Bonds, the Current Bonds and any parity bonds as same become due, to pay the cost of operating and maintaining the system and to provide for an adequate depreciation account;

- (6) It will carry and maintain insurance on properties of the system subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the holder of any of the Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

SECTION 505. OTHER GENERAL COVENANTS APPLICABLE SO LONG AS FmHA HOLDS ANY BONDS.

So long as the FmHA shall hold any of the Current Bonds, the District shall comply with such FmHA regulations, requirements and requests as shall be made by the FmHA, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by the FmHA, the carrying of insurance of such types and in such amounts as the FmHA may specify, with insurance carriers acceptable to the FmHA, and compliance with all of the terms and conditions of the Loan Resolution (FmHA Form 442-47) executed by the District.

SECTION 506. INSURANCE OF MOTORS, TANKS AND STRUCTURES.

If and to the extent not now fully required by the Prior Bond Resolution, the District shall (a) immediately after the adoption of this Resolution, and (b) at the time of final acceptance of the construction project from the constructor(s), insure all electric motors, elevated water storage tanks, pumping stations and major structures of the entire waterworks system, in an amount recommended by the District's Engineers and approved by the FmHA, so long as the FmHA is the holder of any of the Current Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the District's Engineers, without the necessity of approval by the FmHA if and whenever the District has bonds outstanding against the system and none of such bonds are held by the FmHA.

EXHIBIT “2”

Phase V

TRANSCRIPT OF PROCEEDINGS

BULLOCK PEN WATER DISTRICT
LOAN IN THE AMOUNT OF \$715,000

FROM THE
KENTUCKY RURAL WATER FINANCE CORPORATION
MULTIMODAL PUBLIC PROJECTS REVENUE BONDS
(FLEXIBLE TERM PROGRAM)
SERIES 2001C
DATED MAY 15, 2002

APPROVING LEGAL OPINION
BY RUBIN & HAYS
MUNICIPAL BOND ATTORNEYS
KENTUCKY HOME TRUST BUILDING
450 SOUTH THIRD STREET
LOUISVILLE, KENTUCKY 40202
(502) 569-7525

Phase V

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY RURAL WATER FINANCE CORPORATION
AND
BULLOCK PEN WATER DISTRICT

This document was prepared by:

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Louisville, Kentucky 40202
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By Christian L. Jewell

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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the 1st day of May, 2002 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit corporation and instrumentality of the various entities of the Commonwealth of Kentucky (the "Issuer") and the Bullock Pen Water District (the "Governmental Agency"):

WITNESSETH

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the "Program") designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer has determined to issue under its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001, dated April 4, 2001 (the "Bonds") pursuant to a Trust Indenture dated as of April 4, 2001 (the "Indenture") between the Issuer and Fifth Third Bank, trustee (the "Trustee"), the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to Assistance Agreements; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to finance improvements to the Governmental Agency's waterworks system (the "Project"), and the Issuer has determined that the Project is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

WHEREAS, the Issuer has found and determined that the Project will be in furtherance of the purposes of the Issuer and the Governmental Agency under the Act; and

WHEREAS, the Governmental Agency has designated the Issuer as its instrumentality and agency; and

WHEREAS, pursuant to this Assistance Agreement the Governmental Agency will proceed with the Project; and

WHEREAS, the Governmental Agency, presently owns and operates the waterworks system (the "System") of said Governmental Agency; and

WHEREAS, the Governmental Agency has heretofore issued its Prior Bonds (as hereinafter defined); and

WHEREAS, in and by the Prior Bond Legislation (as hereinafter defined), the right and privilege was reserved by the Governmental Agency under conditions and restrictions set out in said Prior Bond Legislation, of issuing additional bonds from time to time, payable from the income and revenues of the System and ranking on a parity with the outstanding Prior Bonds, for the purpose, among other things, of financing the costs of extensions, additions and improvements to the System, and refinancing certain outstanding indebtedness, which conditions and restrictions are found to currently exist and prevail so as to permit the issuance of certain proposed additional bonds so as to rank, when issued, on a parity with the outstanding Prior Bonds; and

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$715,000 [the "Obligations"], for the purpose of providing funds for the Project, and to reaffirm the conditions and restrictions whereunder similar bonds or obligations may be subsequently issued ranking on a parity therewith; and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, and under the provisions of the Prior Bond Legislation, the Governmental Agency is authorized to enter into this Assistance Agreement and to borrow the Obligations to provide such funds for the purpose aforesaid; and

WHEREAS, the Issuer is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained; and

WHEREAS, the Issuer and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the construction and financing of the Project subject to the repayment of the Loan and the Obligations and the interest thereon;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

Section 1. Definitions. As used in this Assistance Agreement, unless the context requires otherwise:

"Act" refers to Chapters 58 and 74 of the Kentucky Revised Statutes.

"Assistance Agreement" refers to this Assistance Agreement authorizing the Loan and the Obligations.

"Bond Counsel" refers to a nationally recognized firm of Bond Counsel which firm has prepared the legal proceedings for the Obligations, has furnished all of the customary services of Bond Counsel in this financing and will continue to furnish such services until the Obligations are delivered and paid for, including the rendering of the final approving legal opinion with regard to the legality of the Obligations and the tax exemption of the interest thereon.

"Bond Legislation of 1978" or "1978 Bond Legislation" refers to the resolution authorizing the Series 1978 Bonds, which was adopted by the Governing Body on March 29, 1978.

"*Bond Legislation of 1982*" or "*1982 Bond Legislation*" refers to the resolution authorizing the Series 1982 Bonds, which was adopted by the Governing Body on July 20, 1982.

"*Bond Legislation of 1985*" or "*1985 Bond Legislation*" refers to the resolution authorizing the Series 1985 Bonds, which was adopted by the Governing Body on September 25, 1985.

"*Bond Legislation of 1988*" or "*1988 Bond Legislation*" refer to the Resolution authorizing the Series 1987 Bonds, duly adopted by the Commission of the District on May 4, 1988 and amended on April 25, 1989.

"*Bondowner*", "*Owner*", "*Bondholder*" means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Bonds at the time issued and outstanding hereunder.

"*Bonds*" refers to the Obligations, the Prior Bonds and any additional Parity Bonds.

"*Certified Public Accountants*" refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky and knowledgeable about the affairs of the System and/or of other Governmental Agency financial matters.

"*Code*" refers to the United States Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

"*Compliance Group*" refers to the Compliance Group identified and defined in the Indenture.

"*Depository Bank*" refers to the bank or banks in which the Funds referred to in this Assistance Agreement will be deposited and maintained as the depository(ies) for such Funds; as determined by the Governmental Agency.

"*Depreciation Fund*" refers to the Bullock Pen Water District Waterworks Revenue Bond Depreciation Reserve Fund created in the Prior Bond Legislation and which Depreciation Fund will continue to be maintained for the benefit of all of the Bonds.

"*Engineer*" or "*Independent Consulting Engineer*" refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks and sewer engineering.

"*Funds*" refers to the Revenue Fund, the Sinking Fund, the Depreciation Fund, the Reserve Fund, the Operation and Maintenance Fund and the Governmental Agency Account.

"*Governing Body*" means the Board of Commissioners of the Governmental Agency or such other body as shall be the governing body of said Governmental Agency under the laws of Kentucky at any given time.

"*Governmental Agency*" refers to the Bullock Pen Water District.

"*Governmental Agency Chief Executive*" refers to the Chairman of the Governmental Agency.

"*Governmental Agency Clerk*" refers to the Secretary of the Governmental Agency.

"*Indenture*" means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental mortgage, by and between the Issuer and the Trustee.

"*Interest Payment Date*" shall mean the 1st day of each month, commencing June 1, 2002 and continuing through and including January 1, 2027 or until the Loan has been paid in full.

"*Issuer*" refers to the Kentucky Rural Water Finance Corporation.

"*Obligations*" refers to the Loan authorized by this Assistance Agreement in the principal amount of \$715,000.

"*Operation and Maintenance Fund*" refers to the " Bullock Pen Water District Waterworks Operation and Maintenance Fund " created in the Prior Bond Legislation and confirmed in the Prior Bond Legislation and which Operation and Maintenance Fund will continue to be maintained for the benefit of the System.

"*Outstanding Bonds*" refers collectively to all outstanding Prior Bonds, the outstanding Obligations and any outstanding Parity Bonds, and does not refer to any bonds which have been defeased.

"*Parity Bonds*" means bonds issued in the future, which will, pursuant to the provisions of this Assistance Agreement, rank on a basis of parity with the Obligations and shall not be deemed to include, nor to prohibit the issuance of, bonds ranking inferior in security to the Obligations.

"*Permitted Investments*" refers to investments of funds on deposit in the various funds created herein and includes:

- (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing an ownership interest in securities described in this clause (1);
- (2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following:

Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Federal Home Loan Mortgage Corporation or Federal Housing Administration;

- (3) repurchase agreements (including those of the Trustee or the Bank) fully secured by collateral security described in clause (1) or (2) of this definition, which collateral (a) is held by the Trustee or a third party agent during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (determined at least once every fourteen days) at least equal to the amount so invested;
- (4) certificates of deposit of, or time deposits in, any bank (including the Trustee or the Bank) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a bank holding company, the debt obligations of the bank holding company of which) have been rated at least equal to the rating assigned to the Bonds by each Rating Agency then rating the Bonds or (b) which are fully insured by the Federal Deposit Insurance Corporation or (c) which are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) or (2) of this definition) of a market value (valued at least quarterly) of no less than the amount of money so invested;
- (5) shares in any investment company registered under the Federal Investment Governmental Agency Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P;
- (6) tax-exempt obligations of any state of the United States, or political subdivision thereof, which are rated AA or better by S&P or mutual funds invested only in such obligations;
- (7) units of a taxable or nontaxable government money-market portfolio composed of U.S. Government obligations and repurchase agreements collateralized by such obligations;
- (8) commercial paper rated A-1 or A-1+ by S&P;
- (9) corporate notes or bonds with one year or less to maturity rated in one of the two highest Rating Categories by S&P; or
- (10) shares of mutual funds, each of which shall have the following characteristics:
 - (i) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment company Act of 1940, as amended;

(ii) The management company of the investment company shall have been in operation for at least five (5) years; and

(iii) All of the securities in the mutual fund shall be in investments in any one or more of the investments described in (1) and (3) above.

"*Prior Bond Legislation*" refers collectively to the 1978, 1982, 1985 and the 1988 Bond Legislation.

"*Prior Bonds*" refers collectively to the Series 1978 Bonds, the Series 1982 Bonds, the Series 1985 Bonds and the Series 1987 Bonds.

"*Program*" refers to the Issuer's Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvements of public projects for governmental entities.

"*Program Administrator*" refers to the Kentucky Rural Water Association, Inc., Bowling Green, Kentucky.

"*Program Reserve Fund*" refers to the Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

"*Project*" refers to financing the installation of approximately 23.19 miles of six inch water line with appurtenances, with the proceeds of the Obligations.

"*Record Date*" shall mean with respect to any Interest Payment Date, the close of business on the 15th day next preceding such Interest Payment Date, whether or not such day is a business day.

"*Requisition Certificate*" means the form attached hereto as Exhibit C to be utilized by the Governmental Agency in obtaining disbursements of the Loan from the Governmental Agency Account as construction of the Project progresses.

"*Reserve Fund*" refers to the Bullock Pen Water District Waterworks Debt Service Reserve Fund, created in the Prior Bond Legislation and which Reserve Fund will continue to be maintained for the benefit of all of the Bonds.

"*Revenue Fund*" refers to the Bullock Pen Water District Waterworks Revenue Fund created in the Prior Bond Legislation and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

"*Sinking Fund*" refers to the Bullock Pen Water District Waterworks Revenue Bond Sinking Fund created and confirmed in the Prior Bond Legislation.

"*Series 1978 Bonds*" refers to the original authorized \$1,277,000 of Bullock Pen Water District Waterworks Revenue Bonds of 1978, dated December 21, 1978.

"*Series 1982 Bonds*" refers to the original authorized \$125,000 of Bullock Pen Water District Waterworks Revenue Bonds of 1982, dated August 6, 1982.

"*Series 1985 Bonds*" refers to the original authorized \$194,000 of Bullock Pen Water District Waterworks Revenue Bonds of 1985, dated February 25, 1986.

"*Series 1987 Bonds*" refers to the original authorized \$240,000 of Bullock Pen Water District Waterworks Revenue Bonds of 1987, Series A and \$168,000 of Bullock Pen Water District Waterworks Revenue Bonds of 1987, Series B, dated April 28, 1988.

"*System*" refers to the Governmental Agency's waterworks system, together with all future extensions, additions and improvements to said System.

"*Treasurer*" refers to the Treasurer of the Governmental Agency.

"*Trustee*" refers to Fifth Third Bank, Cincinnati, Ohio.

"*U.S. Obligations*" refers to bonds, notes, or Treasury Bills which are direct obligations of the United States of America or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government Series, and Trust Receipts representing an ownership interest in direct obligations of the United States.

Section 2. Reaffirmation of Declaration of Waterworks System. That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Governmental Agency as a municipal waterworks system are hereby in all respects ratified and confirmed; and so long as any of the obligations hereinafter authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and maintained for the security and source of payment of said obligations. Said System is hereby declared to constitute a public project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

Section 3. Authorization of Obligations; Place of Payment; Manner of Execution. That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 to 58.140, inclusive of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$715,000 from the Program, for the purpose of providing funds for the Project. Said Obligations shall mature on each January 1 beginning January 1, 2003 and continuing thereafter through and until January 1, 2027, in such principal amounts, and shall bear interest payable on the Interest Payment Dates, commencing June 1, 2002 in the maturities and at the interest rates set forth in Exhibit A attached hereto.

The principal of, redemption price, if any, and interest on the Obligations shall be payable in lawful money of the United States of America on the Interest Payment Dates, beginning June 1,

2002 to the Trustee for the Program. Such payment shall be made by the Governmental Agency from funds on deposit in the Sinking Fund pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") attached hereto as Exhibit B. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

Pursuant to the ACH Debit Direct Payment Method, there shall be transferred to the Trustee on or before the first day of each month, from the Sinking Fund, the amounts hereinafter specified:

- (1) An amount equal to one-sixth (1/6) of the interest becoming due on the Obligations on the next succeeding interest due date, and subject to a credit for the amount on deposit in the Sinking Fund transferred thereto on the date of issue of the Obligations; plus
- (2) An amount equal to one-twelfth (1/12) of the principal amount of all Obligations maturing on the next succeeding January 1.

In addition, in the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Obligations and any other payments due under this Assistance Agreement on behalf of the Governmental Agency (the "Reserve Withdrawal"), the Governmental Agency shall pay to the Trustee, in each month, pursuant to the ACH Debit Direct Payment Method an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

Section 4. Redemption. (a) *Optional Redemption.* Subject to the prior written approval of the Compliance Group, Obligations maturing on or after January 1, 2013, are subject to redemption, in whole or in part, at any time, by the Governmental Agency prior to their stated maturities, on any date falling on or after January 1, 2012, upon payment of the principal amount to be redeemed plus accrued interest to the date of redemption, on the dates, subject to redemption premium stated as a percentage of the principal amount to be redeemed, as follows:

<u>Redemption Dates (Inclusive)</u>	<u>Redemption Price</u>
January 1, 2012 through December 31, 2012	102%
January 1, 2013 through December 31, 2013	101%
January 1, 2014 and thereafter	100%

In the event that the Governmental Agency desires to optionally redeem a portion of its Obligations, such redemption shall be in a denomination equal to \$5,000 or any integral multiple thereof.

(b) *Notice of Redemption.* The Governmental Agency shall give the Issuer and the Trustee notice of any redemption by sending at least one such notice by first class United States mail not less than 45 and not more than 90 days prior to the date fixed for redemption.

All of said Obligations as to which the Governmental Agency reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date.

Section 5. Obligations Payable Out of Revenues on a Parity with Prior Bonds. All of the Obligations and Prior Bonds, together with the interest thereon and such additional bonds ranking on a parity therewith heretofore issued and outstanding and that may be hereafter issued and outstanding from time to time under the conditions and restrictions hereinafter set forth, shall be payable out of the Sinking Fund, as heretofore created in the Prior Bond Legislation and as hereinafter more specifically provided and shall be a valid claim of the holder thereof only against said fund and the fixed portion or amount of the income and revenues of the System of said Governmental Agency pledged to said fund.

Section 6. Compliance with Parity Coverage Requirements of the Prior Bond Legislation. It is hereby declared that in accordance with the provisions of the Prior Bond Legislation, and prior to the issuance of any of the Obligations hereby authorized, there will be procured and filed with the Governmental Agency Clerk of said Governmental Agency any and all statements or certifications for the purpose of having both principal and interest on the Prior Bonds and the Obligations hereby authorized payable on a parity from the income and revenues of said System with said outstanding Prior Bonds.

Section 7. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Prior Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the Prior Bonds; for the operation of said System on a revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; and for the enforcement and payment of the Prior Bonds; and all other covenants for the benefit of the bondholders set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Bonds, the same as if such provisions and proceedings were repeated in full herein; provided, further, that, hereafter, the income and revenues of the System shall be collected, segregated, accounted for, and distributed as follows:

A. **Revenue Fund.** The Governmental Agency covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the Governmental Agency only for the purpose and in the manner and order of priorities specified in the Prior Bond Legislation, as hereinafter modified by this Assistance Agreement, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. It is hereby recognized that the Governmental Agency is obligated upon the issuance of the Obligations to provide for additional debt service requirements of the Obligations.

There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Outstanding Bonds, including the Obligations, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Outstanding Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Outstanding Bonds maturing on the next succeeding principal payment date.

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Depreciation Fund. Pursuant to the provisions of the Prior Bond Legislation, there shall next be transferred from the Revenue Fund a sum sufficient, each month, to maintain a balance in said Depreciation Fund of at least the sum required by the Prior Bond Legislation, which shall be deposited into the Depreciation Fund.

Moneys in the Depreciation Fund may be withdrawn and used by the Governmental Agency, upon appropriate certification of the Governing Body, in accordance with the provisions of the Prior Bond Legislation, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

D. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the Governmental Agency's annual budget.

E. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Depreciation Fund for application in accordance with the terms of this Assistance Agreement or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

Provided, however, notwithstanding anything to the contrary in any Prior Bond Legislation, the Governmental Agency shall be allowed a credit to the extent of moneys on deposit in the Program Reserve Fund for the purpose of meeting any parity requirements in any Prior Bond Legislation; subject however, to the limitation that moneys in the Program Reserve Fund may only be used to make payments of the Government Agency due under this Assistance Agreement, if necessary, and; provided further, that the Trustee may not seek payment for any reserve funds held by the Governmental Agency under any Prior Bond Legislation for payment of any amounts due from the Governmental Agency under this Assistance Agreement.

Section 8. Disposition of Proceeds of the Obligations; Governmental Agency Account. Upon (i) the execution of this Assistance Agreement, (ii) the deliverance of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted in the Program and (iv) upon receipt by the Governmental Agency of the proceeds of the Obligations, the proceeds shall be applied as follows:

(a) *Disposition of the Proceeds.* There shall first be deducted and paid from the proceeds of the Obligations the fees and costs incurred by the Governmental Agency and any other pertinent expenses incident to the issuance, sale and delivery of the Obligations and such other appropriate expenses as may be approved by the Governmental Agency Chief Executive, including but not limited to the Governmental Agency's pro rata share of the Program's fees and expenses.

The balance shall be deposited to the Governmental Agency Account to be used to construct the Project.

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "Bullock Pen Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and the amount on deposit in said Governmental Agency Account shall be applied to the extent necessary, to pay the cost of additions and improvements to and the construction of the Project.

Investment income derived from investment of the Governmental Agency Account, which shall be invested in Permitted Investments in accordance with this Assistance Agreement, shall, as received, be deposited in the Governmental Agency Account.

The Trustee shall be obligated to send written notice to the Governmental Agency of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days. In the absence of written direction from the Governmental

Agency with respect to investment of moneys held in the Governmental Agency Account, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Permitted Investments under this Assistance Agreement.

Payment from the Governmental Agency Account for costs in connection with the Project shall be made only upon a Requisition Certificate delivered to the Trustee which has been approved by the Engineers having charge of supervising such acquisition, improvement and construction, and countersigned by the Governmental Agency Chief Executive, said Engineers to certify in each instance that the Requisition Certificate represents a sum actually earned by and due to the proposed payee under a contract with said Governmental Agency for work performed and/or materials furnished in connection with the Project, or represents a sum necessary to be expended for land and/or rights of way necessary to be acquired by the Governmental Agency in connection with said Project.

No expenditure shall be made from the Governmental Agency Account except for proper and authorized expenses relating to the acquisition, improvement and construction of the Project in accordance with the contracts, plans and specifications approved by the Governmental Agency.

After completion of the Project, as certified by the Engineers, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Obligations from Federal income taxation, upon orders of the Governing Body, be transferred to the Sinking Fund, to be used for the purposes thereof.

Section 9. Arbitrage Limitations. (1) The Governmental Agency covenants that neither the proceeds of the Obligations, nor "Non-Exempt Revenues" of the System, as defined below, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Obligations, if such investment would cause such Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Obligations to be treated as "arbitrage bonds."

(2) "Non-Exempt Revenues" within the meaning of the foregoing shall be deemed to refer to revenues of the System deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Obligations, in excess of "Exempt Revenues," which Exempt Revenues are:

- (a) amounts deposited in the Sinking Fund for the purpose of paying debt service on any Obligations against the System within thirteen (13) months from the date of deposit; and
- (b) amounts deposited in the Depreciation Fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements or replacements to the System, and not reasonably expected to be used to pay debt

service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose).

(3) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set out in Section 9(1) above.

On the basis of information furnished to the Governmental Agency, on known facts, circumstances and reasonable expectations on the date of enactment of this Assistance Agreement, the Governmental Agency certifies as follows:

- (a) That it is not expected or contemplated that the proceeds of the Obligations will be used or invested in any manner which will cause any of the Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder.
- (b) That it is not expected or contemplated that the Governmental Agency will make any use of the proceeds of the Obligations, which, if such use had been reasonably anticipated on the date of issuance of the Obligations, would have caused the Obligations to be arbitrage bonds.
- (c) That it is expected and contemplated that the Governmental Agency will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Obligations will not be treated as arbitrage bonds.
- (d) That it is anticipated that amounts on deposit in the Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the outstanding Obligations and all Prior Bonds payable from said Sinking Fund.
- (e) That amounts accumulated in the Sinking Fund shall not exceed the limitations set forth in this Assistance Agreement.
- (f) That it is not reasonably anticipated that amounts accumulated in the Depreciation Fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such Depreciation Fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Obligations, the Governmental Agency Chief Executive and/or the Governmental Agency Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Obligations, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Obligations will be exempt

from all federal income taxes and that the Obligations will not constitute or be treated as arbitrage bonds.

Section 10. Parity Bonds. The Obligations shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, regardless of the fact they may be actually issued and delivered at different times, and provided further that the lien and security of and for any bonds or obligations hereafter issued that are payable from the income and revenues of the System, shall, except as set out herein, be subject to the priority of the Prior Bonds and the Obligations as may from time to time be outstanding; provided the Governmental Agency has in said Prior Bond Legislation reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the Prior Bonds and with the Obligations, but only under the conditions specified in the Prior Bond Legislation, which conditions are hereinafter repeated, taking into account the issuance of the Obligations.

The Governmental Agency reserves the right to finance future extensions, additions, and/or improvements to the System by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from, the revenues of the System pledged to the Prior Bonds and the Obligations, provided;

(a) The facility or facilities to be constructed from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding Prior Bonds and Obligations.

(b) The Governmental Agency is in compliance with all covenants and undertakings in connection with all of the bonds then outstanding and payable from the revenues of the System or any part thereof.

(c) The annual net revenues (defined as gross revenues less essential operation and maintenance expenses), of the then existing System for the fiscal year preceding the year in which such parity bonds are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to equal at least 120% of the average annual debt service requirements for principal of and interest on all outstanding Bonds payable from the revenues of the System, plus the anticipated requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

(d) The "annual net revenues" referred to above may be adjusted for the purpose of the foregoing computations to reflect:

(i) any revision in the schedule of rates or charges being imposed at the time of the issuance of any such additional Parity Bonds, and

(ii) any increase in the "annual net revenues" to be realized, within 12 months of the completion of the Project, from the proposed extensions, additions, and/or improvements being financed (in whole or in part) by such additional Parity Bonds; provided all such adjustments shall be based upon and included in a certification of a Certified Public Accountant.

(e) Reference is made to the necessity of obtaining the written consent of the United States Department of Agriculture Rural Development or its successor [the "RD"] for the issuance of future bonds encumbering the System while the RD holds any bonds payable from the revenues of the System.

The Governmental Agency hereby covenants and agrees that in the event any additional Parity Bonds are issued, the Governmental Agency shall:

(1) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the annual debt service requirements of the additional Parity Bonds; and

(2) Adjust the minimum annual amount to be deposited monthly into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, taking into account the future debt service requirements of all first lien bonds which will then be outstanding against the System.

The Governmental Agency reserves the right to issue parity bonds to refund or refinance any part or all of the Prior Bonds and the Obligations, provided that prior to the issuance of such additional parity bonds for that purpose, there shall have been procured and filed with the Governmental Agency Clerk of the Governmental Agency a statement by a Certified Public Accountant, as defined herein, reciting the opinion based upon necessary investigation that:

(a) after the issuance of such parity bonds, the annual net revenues, as adjusted and defined above, of the then existing system for the fiscal year preceding the date of issuance of such Parity Bonds, after taking into account the revised debt service requirements resulting from the issuance of such Parity Bonds and from the elimination of the Bonds being refunded or refinanced thereby, are equal to not less than 120% of the average annual debt service requirements then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the then outstanding Bonds payable from the revenues of the System, calculated in the manner specified above; or

(b) in the alternative, that the average annual debt service requirements for the Prior Bonds, the Obligations, any previously issued Parity Bonds and the proposed refunding Parity Bonds, in any year of maturities thereof after the redemption of the Bonds scheduled to be refunded through the issuance of such proposed refunding Parity Bonds, shall not exceed the average annual debt service requirements applicable to the then outstanding Prior

Bonds, the Obligations and any previously issued Parity Bonds for any year prior to the issuance of such proposed Parity Bonds and the redemption of the Bonds to be refunded.

Section 11. Rates and Charges for Services of the System. While any Bonds are outstanding and unpaid, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the outstanding Bonds and the accruing interest on all such Bonds as may be outstanding under the provisions of this Assistance Agreement and the Prior Bond Legislation, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Assistance Agreement. Prior to the issuance of the Obligations a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Assistance Agreement has been established and adopted.

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System, without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the "annual net revenues" (defined as gross revenues less essential operation and maintenance expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 10 hereof.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year, calculated in the manner specified in Section 10 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 12. All Obligations of this Issue Are Equal. The Obligations authorized and permitted to be issued hereunder, and from time to time outstanding, shall not be entitled to priority one over the other in the application of the income and revenues of the System regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, the Prior Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

Section 13. Defeasance and/or Refunding of Obligations. The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the outstanding Obligations to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in direct obligations of or obligations guaranteed by the United States of America, including book entry obligations and trust receipts representing an ownership in direct obligations of the United States of America, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such outstanding Obligations, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the outstanding Obligations to and on said date, or (b) to pay all principal and interest requirements on the outstanding Obligations as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body. Such Permitted Investments shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the outstanding Obligations and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 14. Contractual Nature of Assistance Agreement. The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of any of such Obligations, no change, variation or alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided (a) that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 15. Appointment and Duties of Bond Registrar and Paying Agent. The Trustee is hereby designated as the bond registrar and paying agent with respect to the Obligations.

Its duties as Trustee shall be as follows:

- (1) To register all of the Obligations in the names of the Issuer;
- (2) To cancel and destroy (or remit to the Governmental Agency for destruction, if so requested by the Governmental Agency) all exchanged, matured, retired and redeemed Obligations, and to maintain adequate records relevant thereto;

(3) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;

(4) To notify the Issuer of any Obligations to be redeemed and to redeem Obligations prior to their stated maturity upon receiving sufficient funds; and

(5) To supply the Governmental Agency with a written accounting evidencing the payment of interest on and principal of the Obligations within thirty (30) days following each respective due date.

The Trustee shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Trustee shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Assistance Agreement, or the responsibility for the consequences of any oversight or error in judgment.

The Trustee may at any time resign from its duties set forth in this Assistance Agreement by filing its resignation with the Governmental Agency Clerk and notifying the Issuer. Thereupon, the Issuer shall notify the Governmental Agency of a successor Trustee which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Trustee, provision shall be made for the orderly transition of the books, records and accounts relating to the Obligations to the successor Trustee in order that there will be no delinquencies in the payment of interest or principal due on the Obligations.

Section 16. Provisions in Conflict Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 17. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986. In order to assure purchasers of the Obligations that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no actions which will violate any of the provisions of the Code, or would cause the Obligations to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Obligations will be used for any purpose which would cause the interest on the Obligations to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations.

The Governmental Agency reserves the right to amend this Assistance Agreement but only with the consent of the Issuer (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Obligations shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of these Obligations, or the application of such proceeds or of the revenues of the System. The purchasers of these Obligations are deemed to have relied fully upon these covenants and undertakings on the part of the Governmental Agency as part of the consideration for the purchase of the Obligations. To the extent that the Governmental Agency obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Assistance Agreement or referred to in this Assistance Agreement would not subject interest on the Obligations to federal income taxes or Kentucky income taxes, the Governmental Agency shall not be required to comply with such covenants or requirements.

This Assistance Agreement is enacted in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Obligations from Kentucky ad valorem taxation and as to exemption of interest on the Obligations from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the Governmental Agency complies with covenants made by the Governmental Agency with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Governmental Agency with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations. The Governmental Agency has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Obligations are not "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 18. Insurance. (a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the Governmental Agency shall, upon receipt of the proceeds of the sale of the Obligations, if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System, of a kind and in such amounts as would ordinarily be carried by private companies or public bodies engaged in operating a similar utility.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Obligations are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System the Governmental Agency shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(b) *Liability Insurance on Facilities.* So long as any of the Obligations are outstanding, the Governmental Agency shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000

for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death; and not less than \$200,000 from claims for damage to property of others which may arise from the Governmental Agency's operations of the System and any other facilities constituting a portion of the System.

(c) *Vehicle Liability Insurance.* If and to the extent that the Governmental Agency owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Obligations, the Governmental Agency shall, if such insurance is not already in force, procure and maintain, so long as any of the Obligations are outstanding, vehicular public liability insurance with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Governmental Agency.

Section 19. Event of Default; Remedies. The following items shall constitute an "Event of Default" on the part of the Governmental Agency:

(a) The failure to pay principal on the Obligations when due and payable, either at maturity or by proceedings for redemption.

(b) The failure to pay any installment of interest on the Obligations when the same shall become due and payable.

(c) The failure of the Governmental Agency to fulfill any of its obligations pursuant to this Assistance Agreement and to cure any such failure within 30 days after receipt of written notice of such failure.

(d) The failure to promptly repair, replace or reconstruct essential facilities of the System after any major damage and/or destruction thereof.

Upon the occurrence of an Event of Default, the Issuer or the Trustee on its behalf, as owner of the Obligations, may enforce and compel the performance of all duties and obligations of the Governmental Agency as set forth herein. Upon the occurrence of an Event of Default, then, upon the filing of suit by the Trustee or the Issuer, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Governmental Agency, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Obligations, and for the payment of operation and maintenance expenses of the System, and to provide and apply the income and revenues in conformity with this Assistance Agreement and with the laws of the Commonwealth of Kentucky.

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of any of the Obligations may require the Governmental Agency by demand, court order, injunction, or otherwise, to raise all applicable rates charged for services of the System a reasonable amount, consistent with the requirements of this Assistance Agreement.

Section 20. Annual Reports. The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 2001) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

The annual financial information and operating data, including audited financial statements, will be made available on or before 120 days after the end of each fiscal year (December 31).

Section 21. Supplemental Assistance Agreement. The Governmental Agency may, but only with the consent of the Issuer, execute one or more supplemental Assistance Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Assistance Agreement;
- (b) to subject to the lien and pledge of this Assistance Agreement additional revenues, properties, or collateral which may legally be subjected;
- (c) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;
- (d) to add to the covenants and agreements of the Governmental Agency in this Assistance Agreement, other covenants and agreements thereafter to be incurred by the Governmental Agency or to surrender any right or power herein reserved to or conferred upon the Governmental Agency;
- (e) to effect the issuance of additional Parity Bonds; and/or
- (f) to modify the terms and conditions of this Assistance Agreement at the request of the Issuer in order to assist the Issuer in operating the Program or to maintain any rating the Issuer may have on its Program obligations.

Section 22. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 23. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

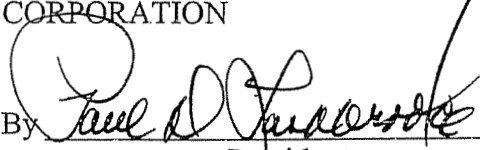
Section 24. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto shall become in default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 25. Signatures of Officers. If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Obligations cease to be such officers before delivery of the Obligations, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.


Section 26. Severability Clause. If any section, paragraph, clause or provision of this Assistance Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Assistance Agreement.

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Bullock Pen Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By 
President

Attest:


Secretary/Treasurer

BULLOCK PEN WATER DISTRICT

By _____
Chairman

Attest:

Secretary

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Bullock Pen Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

Secretary/Treasurer

BULLOCK PEN WATER DISTRICT

By Abby J. Burgett
Chairman

Attest:

Dab Dudley
Secretary

EXHIBIT A

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM, SERIES 2001 C

Borrower: Bullock Pen Water District - Surcharge Account
 Dated Date: 05/15/02

Borrower Payment Schedule

Payment Date	Principal	Interest	Trustee Fees	Total	Fiscal Total
05/15/02			250.00	4,448.58	4,448.58
07/01/02	0.00	4,198.58	0.00	14,944.00	25,009.25
01/01/03	5,000.00	9,944.00	250.00	10,065.25	
07/01/03	0.00	9,815.25	0.00	17,815.25	27,674.50
01/01/04	8,000.00	9,815.25	250.00	9,859.25	
07/01/04	0.00	9,609.25	0.00	17,609.25	27,262.50
01/01/05	8,000.00	9,609.25	250.00	9,653.25	
07/01/05	0.00	9,403.25	0.00	17,403.25	26,850.50
01/01/06	8,000.00	9,403.25	250.00	9,447.25	
07/01/06	0.00	9,197.25	0.00	19,197.25	28,387.00
01/01/07	10,000.00	9,197.25	250.00	9,189.75	
07/01/07	0.00	8,939.75	0.00	18,939.75	27,872.00
01/01/08	10,000.00	8,939.75	250.00	8,932.25	
07/01/08	0.00	8,682.25	0.00	18,682.25	27,357.00
01/01/09	10,000.00	8,682.25	250.00	8,674.75	
07/01/09	0.00	8,424.75	0.00	18,424.75	26,842.00
01/01/10	10,000.00	8,424.75	250.00	8,417.25	
07/01/10	0.00	8,167.25	0.00	18,167.25	26,327.00
01/01/11	10,000.00	8,167.25	250.00	8,159.75	
07/01/11	0.00	7,909.75	0.00	21,909.75	29,709.00
01/01/12	14,000.00	7,909.75	250.00	7,799.25	
07/01/12	0.00	7,549.25	0.00	21,549.25	28,988.00
01/01/13	14,000.00	7,549.25	250.00	7,438.75	
07/01/13	0.00	7,188.75	0.00	20,188.75	27,292.75
01/01/14	13,000.00	7,188.75	250.00	7,104.00	
07/01/14	0.00	6,854.00	0.00	19,854.00	26,623.25
01/01/15	13,000.00	6,854.00	250.00	6,769.25	
07/01/15	0.00	6,519.25	0.00	22,519.25	28,876.50
01/01/16	16,000.00	6,519.25	250.00	6,357.25	
07/01/16	0.00	6,107.25	0.00	22,107.25	28,052.50
01/01/17	16,000.00	6,107.25	250.00	5,945.25	
07/01/17	0.00	5,695.25	0.00	21,695.25	27,204.50
01/01/18	16,000.00	5,695.25	250.00	5,509.25	
07/01/18	0.00	5,259.25	0.00	23,259.25	28,278.00
01/01/19	18,000.00	5,259.25	250.00	5,018.75	
07/01/19	0.00	4,768.75	0.00	22,768.75	27,297.00
01/01/20	18,000.00	4,768.75	250.00	4,528.25	
07/01/20	0.00	4,278.25	0.00	22,278.25	26,316.00
01/01/21	18,000.00	4,278.25	250.00	4,037.75	
07/01/21	0.00	3,787.75	0.00	24,787.75	28,253.25
01/01/22	21,000.00	3,787.75	250.00	3,465.50	
07/01/22	0.00	3,215.50	0.00	24,215.50	27,108.75
01/01/23	21,000.00	3,215.50	250.00	2,893.25	
07/01/23	0.00	2,643.25	0.00	26,643.25	28,882.50
01/01/24	24,000.00	2,643.25	250.00	2,239.25	
07/01/24	0.00	1,989.25	0.00	24,989.25	26,601.75
01/01/25	23,000.00	1,989.25	250.00	1,612.50	
07/01/25	0.00	1,362.50	0.00	25,362.50	26,321.00
01/01/26	24,000.00	1,362.50	250.00	958.50	
07/01/26	0.00	708.50	0.00	26,708.50	26,708.50
01/01/27	26,000.00	708.50	0.00		
07/01/27					
Totals	374,000.00	310,293.58	6,250.00	690,543.58	

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
7/02	0.00	4,198.58	4,198.58
8/2-1/3	833.33	1,657.33	2,490.67
2/3-7/3	666.67	1,635.88	2,302.54
8/3-1/4	666.67	1,635.88	2,302.54
2/4-7/4	666.67	1,601.54	2,268.21
8/4-1/5	666.67	1,567.21	2,233.88
2/5-7/5	666.67	1,567.21	2,233.88
8/5-1/6	666.67	1,532.88	2,166.21
2/6-7/6	833.33	1,532.88	2,366.21
8/6-1/7	833.33	1,489.96	2,323.29
2/7-7/7	833.33	1,489.96	2,323.29
8/7-1/8	833.33	1,447.04	2,280.38
2/8-7/8	833.33	1,447.04	2,280.38
8/8-1/9	833.33	1,404.13	2,237.46
2/9-7/9	833.33	1,404.13	2,237.46
8/9-1/10	833.33	1,361.21	2,194.54
2/10-7/10	833.33	1,361.21	2,194.54
8/10-1/11	833.33	1,318.29	2,151.62
2/11-7/11	1,166.67	1,318.29	2,484.96
8/11-1/12	1,166.67	1,258.21	2,424.88
2/12-7/12	1,166.67	1,258.21	2,424.88
8/12-1/13	1,083.33	1,198.13	2,281.46
2/13-7/13	1,083.33	1,198.13	2,281.46
8/13-1/14	1,083.33	1,142.33	2,225.67
2/14-7/14	1,083.33	1,142.33	2,225.67
8/14-1/15	1,333.33	1,086.54	2,419.88
2/15-7/15	1,333.33	1,086.54	2,419.88
8/15-1/16	1,333.33	1,017.88	2,351.21
2/16-7/16	1,333.33	1,017.88	2,351.21
8/16-1/17	1,333.33	949.21	2,282.54
2/17-7/17	1,333.33	949.21	2,282.54
8/17-1/18	1,500.00	876.54	2,376.54
2/18-7/18	1,500.00	876.54	2,376.54
8/18-1/19	1,500.00	794.79	2,294.79
2/19-7/19	1,500.00	794.79	2,294.79
8/19-1/20	1,500.00	713.04	2,213.04
2/20-7/20	1,500.00	713.04	2,213.04
8/20-1/21	1,750.00	631.29	2,381.29
2/21-7/21	1,750.00	631.29	2,381.29
8/21-1/22	1,750.00	555.92	2,285.92
2/22-7/22	1,750.00	555.92	2,285.92
8/22-1/23	2,000.00	440.54	2,440.54
2/23-7/23	2,000.00	440.54	2,440.54
8/23-1/24	2,000.00	331.54	2,248.21
2/24-7/24	1,916.67	331.54	2,248.21
8/24-1/25	1,916.67	227.08	2,227.08
2/25-7/25	2,000.00	227.08	2,227.08
8/25-1/26	2,000.00	114.83	2,284.75
2/26-7/26	2,166.67	114.83	2,284.75
8/26-1/27	2,166.67		
Totals	374,000.00	310,293.58	684,293.58

EXHIBIT “3”

Bullock Pen Water District

Refunding of Kentucky Rural Water Corporation Loan - Series 2001 C & 1978 Rural Development Bonds

Date	1978 Rural Development Bonds			KRWFC Loan - Series 2001C #1			KRWFC Loan - Series 2001C #2			Total
	Principal	Interest	Refunded D/S	Principal	Interest	Refunded D/S	Principal	Interest	Refunded D/S	Refunded D/S
12/31/2013	59,000.00	18,525.00	77,525.00	14,000.00	14,786.00	28,786.00	11,000.00	13,412.75	24,412.75	130,723.75
12/31/2014	62,000.00	15,500.00	77,500.00	13,000.00	14,090.75	27,090.75	12,000.00	12,820.50	24,820.50	129,411.25
12/31/2015	65,000.00	12,325.00	77,325.00	13,000.00	13,421.25	26,421.25	12,000.00	12,202.50	24,202.50	127,948.75
12/31/2016	68,000.00	9,000.00	77,000.00	16,000.00	12,674.50	28,674.50	14,000.00	11,533.00	25,533.00	131,207.50
12/31/2017	71,000.00	5,525.00	76,525.00	16,000.00	11,826.50	27,826.50	14,000.00	10,791.00	24,791.00	129,142.50
12/31/2018	75,000.00	1,875.00	76,875.00	16,000.00	10,954.50	26,954.50	14,000.00	10,028.00	24,028.00	127,857.50
12/31/2019				18,000.00	10,028.00	28,028.00	17,000.00	9,183.25	26,183.25	54,211.25
12/31/2020				18,000.00	9,047.00	27,047.00	17,000.00	8,256.75	25,256.75	52,303.75
12/31/2021				18,000.00	8,066.00	26,066.00	17,000.00	7,330.25	24,330.25	50,396.25
12/31/2022				21,000.00	7,003.25	28,003.25	19,000.00	6,349.25	25,349.25	53,352.50
12/31/2023				21,000.00	5,858.75	26,858.75	19,000.00	5,313.75	24,313.75	51,172.50
12/31/2024				24,000.00	4,632.50	28,632.50	21,000.00	4,223.75	25,223.75	53,856.25
12/31/2025				23,000.00	3,351.75	26,351.75	22,000.00	3,052.00	25,052.00	51,403.75
12/31/2026				24,000.00	2,071.00	26,071.00	21,000.00	1,880.25	22,880.25	48,951.25
12/31/2027				26,000.00	708.50	26,708.50	24,000.00	654.00	24,654.00	51,362.50
Totals	<u>400,000.00</u>	<u>62,750.00</u>	<u>462,750.00</u>	<u>281,000.00</u>	<u>128,520.25</u>	<u>409,520.25</u>	<u>254,000.00</u>	<u>117,031.00</u>	<u>371,031.00</u>	<u>1,243,301.25</u>
D/S to Call										
12/31/2012	<u>400,000.00</u>	<u>10,000.00</u>	<u>410,000.00</u>	<u>281,000.00</u>	<u>6,291.04</u>	<u>287,291.04</u>	<u>254,000.00</u>	<u>5,689.17</u>	<u>259,689.17</u>	<u>956,980.21</u>
Prior Issue Debt Service Funds										
12/31/2012			<u>69,000.00</u>			<u>24,282.36</u>			<u>20,451.86</u>	<u>113,734.22</u>

Bullock Pen Water District
Refunding of Kentucky Rural Water Corporation Loan - Series 2001 C
& 1978 Rural Development Bonds

Debt Service Comparison

Date	Net New Debt Service	Old Net Debt Service	Savings	
12/31/2013	90,659.69	130,723.75	40,064.06	
12/31/2014	98,901.48	129,411.25	30,509.77	
12/31/2015	98,901.48	127,948.75	29,047.27	
12/31/2016	98,901.48	131,207.50	32,306.02	
12/31/2017	98,901.48	129,142.50	30,241.02	
12/31/2018	98,901.48	127,857.50	28,956.02	
12/31/2019	98,901.48	54,211.25	-44,690.23	
12/31/2020	98,901.48	52,303.75	-46,597.73	
12/31/2021	98,901.48	50,396.25	-48,505.23	
12/31/2022	98,901.48	53,352.50	-45,548.98	
12/31/2023	8,241.41	51,172.50	42,931.09	Present Value
12/31/2024	0.00	53,856.25	53,856.25	of Cash Flow
12/31/2025	0.00	51,403.75	51,403.75	Savings at
12/31/2026	0.00	48,951.25	48,951.25	2.8% Loan
12/31/2027	0.00	51,362.50	51,362.50	Interest Rate
Total	989,014.42	1,243,301.25	254,286.83	206,400.31
Less Debt Ser Funds Used to Reduce Amt Borrowed			-113,734.22	-113,734.22
Less Closing Costs			-10,000.00	-10,000.00
			<u>130,552.61</u>	<u>82,666.09</u>

Sources of Funds

Principal Amount of New Loan	860,000.00
Transfers from Prior Issue Debt Service Fund	<u>113,734.22</u>
Total Sources	<u>973,734.22</u>

Uses of Funds

Costs of Issuance	10,000.00
Deposit to Current Refunding Fund	956,980.21
Rounding Amount	<u>6,754.01</u>
Total Uses	<u>973,734.22</u>

EXHIBIT “4”

Initial Loan Values

Loan Amount:	\$860,000.00	Number of Payments:	120
Annual Interest Rate:	2.8000%	Periodic Payment:	\$8,241.79
Loan Date:	01/01/2013	1st Payment Due:	02/01/2013
Payment Frequency:	Monthly	Last Payment Due:	01/01/2023
Total Interest Due:	\$129,014.42	Total All Payments:	\$989,014.42

Payment Schedule

#/Year	Date	Payment	Interest	Principal	Balance
Loan:	01/01/13				860,000.00
1/01	02/01/13	8,241.79	2,075.98	6,165.81	853,834.19
2/01	03/01/13	8,241.79	1,861.41	6,380.38	847,453.81
3/01	04/01/13	8,241.79	2,045.69	6,196.10	841,257.71
4/01	05/01/13	8,241.79	1,965.15	6,276.64	834,981.07
5/01	06/01/13	8,241.79	2,015.58	6,226.21	828,754.86
6/01	07/01/13	8,241.79	1,935.94	6,305.85	822,449.01
7/01	08/01/13	8,241.79	1,985.33	6,256.46	816,192.55
8/01	09/01/13	8,241.79	1,970.23	6,271.56	809,920.99
9/01	10/01/13	8,241.79	1,891.95	6,349.84	803,571.15
10/01	11/01/13	8,241.79	1,939.76	6,302.03	797,269.12
11/01	12/01/13	8,241.79	1,862.39	6,379.40	790,889.72
Y-T-D 2013	12/31/13	90,659.69	21,549.40	69,110.27	
Running	12/31/13	90,659.69	21,549.41	69,110.28	
12/01	01/01/14	8,241.79	1,909.15	6,332.64	784,557.08
13/02	02/01/14	8,241.79	1,893.86	6,347.93	778,209.15
14/02	03/01/14	8,241.79	1,696.55	6,545.24	771,663.91
15/02	04/01/14	8,241.79	1,862.74	6,379.05	765,284.86
16/02	05/01/14	8,241.79	1,787.68	6,454.11	758,830.75
17/02	06/01/14	8,241.79	1,831.76	6,410.03	752,420.72
18/02	07/01/14	8,241.79	1,757.63	6,484.16	745,936.56
19/02	08/01/14	8,241.79	1,800.64	6,441.15	739,495.41
20/02	09/01/14	8,241.79	1,785.09	6,456.70	733,038.71
21/02	10/01/14	8,241.79	1,712.35	6,529.44	726,509.27
22/02	11/01/14	8,241.79	1,753.74	6,488.05	720,021.22
23/02	12/01/14	8,241.79	1,681.95	6,559.84	713,461.38
Y-T-D 2014	12/31/14	98,901.48	21,473.14	77,428.34	
Running	12/31/14	189,561.17	43,022.55	146,538.62	
24/02	01/01/15	8,241.79	1,722.24	6,519.55	706,941.83
25/03	02/01/15	8,241.79	1,706.51	6,535.28	700,406.55
26/03	03/01/15	8,241.79	1,526.93	6,714.86	693,691.69
27/03	04/01/15	8,241.79	1,674.52	6,567.27	687,124.42
28/03	05/01/15	8,241.79	1,605.10	6,636.69	680,487.73
29/03	06/01/15	8,241.79	1,642.65	6,599.14	673,888.59
30/03	07/01/15	8,241.79	1,574.18	6,667.61	667,220.98
31/03	08/01/15	8,241.79	1,610.62	6,631.17	660,589.81
32/03	09/01/15	8,241.79	1,594.62	6,647.17	653,942.64
33/03	10/01/15	8,241.79	1,527.59	6,714.20	647,228.44
34/03	11/01/15	8,241.79	1,562.36	6,679.43	640,549.01
35/03	12/01/15	8,241.79	1,496.30	6,745.49	633,803.52
Y-T-D 2015	12/31/15	98,901.48	19,243.62	79,657.86	
Running	12/31/15	288,462.65	62,266.17	226,196.48	
36/03	01/01/16	8,241.79	1,529.95	6,711.84	627,091.68
37/04	02/01/16	8,241.79	1,513.75	6,728.04	620,363.64
38/04	03/01/16	8,241.79	1,400.79	6,841.00	613,522.64
39/04	04/01/16	8,241.79	1,481.00	6,760.79	606,761.85
40/04	05/01/16	8,241.79	1,417.38	6,824.41	599,937.44
41/04	06/01/16	8,241.79	1,448.20	6,793.59	593,143.85
42/04	07/01/16	8,241.79	1,385.56	6,856.23	586,287.62
43/04	08/01/16	8,241.79	1,415.26	6,826.53	579,461.09
44/04	09/01/16	8,241.79	1,398.78	6,843.01	572,618.08
45/04	10/01/16	8,241.79	1,337.62	6,904.17	565,713.91
46/04	11/01/16	8,241.79	1,365.59	6,876.20	558,837.71
47/04	12/01/16	8,241.79	1,305.43	6,936.36	551,901.35

Y-T-D 2016	12/31/16	98,901.48	16,999.31	81,902.17	
Running	12/31/16	387,364.13	79,265.48	308,098.65	
48/04	01/01/17	8,241.79	1,332.25	6,909.54	544,991.81
49/05	02/01/17	8,241.79	1,315.57	6,926.22	538,065.59
50/05	03/01/17	8,241.79	1,173.02	7,068.77	530,996.82
51/05	04/01/17	8,241.79	1,281.79	6,960.00	524,036.82
52/05	05/01/17	8,241.79	1,224.13	7,017.66	517,019.16
53/05	06/01/17	8,241.79	1,248.05	6,993.74	510,025.42
54/05	07/01/17	8,241.79	1,191.40	7,050.39	502,975.03
55/05	08/01/17	8,241.79	1,214.14	7,027.65	495,947.38
56/05	09/01/17	8,241.79	1,197.18	7,044.61	488,902.77
57/05	10/01/17	8,241.79	1,142.06	7,099.73	481,803.04
58/05	11/01/17	8,241.79	1,163.04	7,078.75	474,724.29
59/05	12/01/17	8,241.79	1,108.94	7,132.85	467,591.44
Y-T-D 2017	12/31/17	98,901.48	14,591.56	84,309.91	
Running	12/31/17	486,265.61	93,857.05	392,408.56	
60/05	01/01/18	8,241.79	1,128.73	7,113.06	460,478.38
61/06	02/01/18	8,241.79	1,111.56	7,130.23	453,348.15
62/06	03/01/18	8,241.79	988.33	7,253.46	446,094.69
63/06	04/01/18	8,241.79	1,076.84	7,164.95	438,929.74
64/06	05/01/18	8,241.79	1,025.33	7,216.46	431,713.28
65/06	06/01/18	8,241.79	1,042.12	7,199.67	424,513.61
66/06	07/01/18	8,241.79	991.65	7,250.14	417,263.47
67/06	08/01/18	8,241.79	1,007.24	7,234.55	410,028.92
68/06	09/01/18	8,241.79	989.78	7,252.01	402,776.91
69/06	10/01/18	8,241.79	940.87	7,300.92	395,475.99
70/06	11/01/18	8,241.79	954.65	7,287.14	388,188.85
71/06	12/01/18	8,241.79	906.80	7,334.99	380,853.86
Y-T-D 2018	12/31/18	98,901.48	12,163.90	86,737.58	
Running	12/31/18	585,167.09	106,020.95	479,146.14	
72/06	01/01/19	8,241.79	919.35	7,322.44	373,531.42
73/07	02/01/19	8,241.79	901.68	7,340.11	366,191.31
74/07	03/01/19	8,241.79	798.32	7,443.47	358,747.84
75/07	04/01/19	8,241.79	865.99	7,375.80	351,372.04
76/07	05/01/19	8,241.79	820.79	7,421.00	343,951.04
77/07	06/01/19	8,241.79	830.27	7,411.52	336,539.52
78/07	07/01/19	8,241.79	786.15	7,455.64	329,083.88
79/07	08/01/19	8,241.79	794.38	7,447.41	321,636.47
80/07	09/01/19	8,241.79	776.41	7,465.38	314,171.09
81/07	10/01/19	8,241.79	733.89	7,507.90	306,663.19
82/07	11/01/19	8,241.79	740.26	7,501.53	299,161.66
83/07	12/01/19	8,241.79	698.83	7,542.96	291,618.70
Y-T-D 2019	12/31/19	98,901.48	9,666.32	89,235.16	
Running	12/31/19	684,068.57	115,687.27	568,381.30	
84/07	01/01/20	8,241.79	703.95	7,537.84	284,080.86
85/08	02/01/20	8,241.79	685.75	7,556.04	276,524.82
86/08	03/01/20	8,241.79	624.40	7,617.39	268,907.43
87/08	04/01/20	8,241.79	649.12	7,592.67	261,314.76
88/08	05/01/20	8,241.79	610.42	7,631.37	253,683.39
89/08	06/01/20	8,241.79	612.37	7,629.42	246,053.97
90/08	07/01/20	8,241.79	574.77	7,667.02	238,386.95
91/08	08/01/20	8,241.79	575.45	7,666.34	230,720.61
92/08	09/01/20	8,241.79	556.94	7,684.85	223,035.76
93/08	10/01/20	8,241.79	521.00	7,720.79	215,314.97
94/08	11/01/20	8,241.79	519.75	7,722.04	207,592.93
95/08	12/01/20	8,241.79	484.93	7,756.86	199,836.07
Y-T-D 2020	12/31/20	98,901.48	7,118.85	91,782.62	
Running	12/31/20	782,970.05	122,806.12	660,163.93	
96/08	01/01/21	8,241.79	482.39	7,759.40	192,076.67
97/09	02/01/21	8,241.79	463.66	7,778.13	184,298.54
98/09	03/01/21	8,241.79	401.78	7,840.01	176,458.53
99/09	04/01/21	8,241.79	425.96	7,815.83	168,642.70

100/09	05/01/21	8,241.79	393.94	7,847.85	160,794.85
101/09	06/01/21	8,241.79	388.15	7,853.64	152,941.21
102/09	07/01/21	8,241.79	357.27	7,884.52	145,056.69
103/09	08/01/21	8,241.79	350.16	7,891.63	137,165.06
104/09	09/01/21	8,241.79	331.11	7,910.68	129,254.38
105/09	10/01/21	8,241.79	301.93	7,939.86	121,314.52
106/09	11/01/21	8,241.79	292.84	7,948.95	113,365.57
107/09	12/01/21	8,241.79	264.82	7,976.97	105,388.60
Y-T-D 2021	12/31/21	98,901.48	4,454.00	94,447.47	
Running	12/31/21	881,871.53	127,260.13	754,611.40	
108/09	01/01/22	8,241.79	254.40	7,987.39	97,401.21
109/10	02/01/22	8,241.79	235.12	8,006.67	89,394.54
110/10	03/01/22	8,241.79	194.89	8,046.90	81,347.64
111/10	04/01/22	8,241.79	196.37	8,045.42	73,302.22
112/10	05/01/22	8,241.79	171.23	8,070.56	65,231.66
113/10	06/01/22	8,241.79	157.46	8,084.33	57,147.33
114/10	07/01/22	8,241.79	133.49	8,108.30	49,039.03
115/10	08/01/22	8,241.79	118.38	8,123.41	40,915.62
116/10	09/01/22	8,241.79	98.77	8,143.02	32,772.60
117/10	10/01/22	8,241.79	76.56	8,165.23	24,607.37
118/10	11/01/22	8,241.79	59.40	8,182.39	16,424.98
119/10	12/01/22	8,241.79	38.37	8,203.42	8,221.56
Y-T-D 2022	12/31/22	98,901.48	1,734.44	97,167.04	
Running	12/31/22	980,773.01	128,994.57	851,778.44	
120/10	01/01/23	8,241.41	19.85	8,221.56	0.00
Y-T-D 2023	12/31/23	8,241.41	19.85	8,221.56	
Running	12/31/23	989,014.42	129,014.42	860,000.00	

This loan is using the normal amortizing method.

Exhibit 5

Bullock Pen Water District
Refunding of Kentucky Rural Water Corporation Loan - Series 2001 C
& 1978 Rural Development Bonds

Debt Service Comparison

Date	Net New Debt Service	Old Net Debt Service	Savings	
12/31/2013	90,659.69	130,723.75	40,064.06	
12/31/2014	98,901.48	129,411.25	30,509.77	
12/31/2015	98,901.48	127,948.75	29,047.27	
12/31/2016	98,901.48	131,207.50	32,306.02	
12/31/2017	98,901.48	129,142.50	30,241.02	
12/31/2018	98,901.48	127,857.50	28,956.02	
12/31/2019	98,901.48	54,211.25	-44,690.23	
12/31/2020	98,901.48	52,303.75	-46,597.73	
12/31/2021	98,901.48	50,396.25	-48,505.23	
12/31/2022	98,901.48	53,352.50	-45,548.98	
12/31/2023	8,241.41	51,172.50	42,931.09	Present Value
12/31/2024	0.00	53,856.25	53,856.25	of Cash Flow
12/31/2025	0.00	51,403.75	51,403.75	Savings at
12/31/2026	0.00	48,951.25	48,951.25	2.8% Loan
12/31/2027	0.00	51,362.50	51,362.50	Interest Rate
Total	989,014.42	1,243,301.25	254,286.83	206,400.31
Less Debt Ser Funds Used to Reduce Amt Borrowed			-113,734.22	-113,734.22
Less Closing Costs			-10,000.00	-10,000.00
			<u>130,552.61</u>	<u>82,666.09</u>

Sources of Funds

Principal Amount of New Loan	860,000.00
Transfers from Prior Issue Debt Service Fund	<u>113,734.22</u>
Total Sources	<u><u>973,734.22</u></u>

Uses of Funds

Costs of Issuance	10,000.00
Deposit to Current Refunding Fund	956,980.21
Rounding Amount	<u>6,754.01</u>
Total Uses	<u><u>973,734.22</u></u>

EXHIBIT “5”

RESOLUTION NO. _____

A RESOLUTION OF THE BULLOCK PEN WATER DISTRICT, AUTHORIZING THE AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE FINANCE AGREEMENT IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$860,000, SUBJECT TO APPROVAL BY THE PUBLIC SERVICE COMMISSION OF THE COMMONWEALTH OF KENTUCKY, TO PROVIDE FUNDS TO CURRENTLY REFUND THE OUTSTANDING (I) BULLOCK PEN WATER DISTRICT WATERWORKS REVENUE BONDS OF 1978 AND (II) ASSISTANCE AGREEMENT DATED AS OF MAY 1, 2002 BETWEEN THE KENTUCKY RURAL WATER FINANCE CORPORATION AND THE BULLOCK PEN WATER DISTRICT, THE PROCEEDS OF WHICH WERE EACH USED TO FINANCE THE CONSTRUCTION OF IMPROVEMENTS TO THE DISTRICT'S WATERWORKS SYSTEM; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID LEASE IS TO BE EXECUTED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE DISTRICT'S WATERWORKS SYSTEM SHALL CONTINUE TO BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE EXECUTION OF SAID LEASE.

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RESOLUTION NO. _____

A RESOLUTION OF THE BULLOCK PEN WATER DISTRICT, AUTHORIZING THE AUTHORIZING THE EXECUTION AND DELIVERY OF A LEASE FINANCE AGREEMENT IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$860,000, SUBJECT TO APPROVAL BY THE PUBLIC SERVICE COMMISSION OF THE COMMONWEALTH OF KENTUCKY, TO PROVIDE FUNDS TO CURRENTLY REFUND THE OUTSTANDING (I) BULLOCK PEN WATER DISTRICT WATERWORKS REVENUE BONDS OF 1978 AND (II) ASSISTANCE AGREEMENT DATED AS OF MAY 1, 2002 BETWEEN THE KENTUCKY RURAL WATER FINANCE CORPORATION AND THE BULLOCK PEN WATER DISTRICT, THE PROCEEDS OF WHICH WERE EACH USED TO FINANCE THE CONSTRUCTION OF IMPROVEMENTS TO THE DISTRICT'S WATERWORKS SYSTEM; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID LEASE IS TO BE EXECUTED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE DISTRICT'S WATERWORKS SYSTEM SHALL CONTINUE TO BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH THE EXECUTION OF SAID LEASE.

WHEREAS, it is permitted and provided by Chapter 74 of the Kentucky Revised Statutes that the Bullock Pen Water District (the "District") may own and operate a waterworks system (the "System") and obligations payable from revenues of said System may be issued for the purpose of constructing improvements thereto; and

WHEREAS, it is permitted and provided by Chapter 65.940 et. seq. of the Kentucky Revised Statutes (the "Leasing Act") that the District may finance and refinance improvements to the System through a lease agreement payable from revenues of said System; and

WHEREAS, the District heretofore issued its Waterworks Revenue Bonds of 1978 (the "Prior 1978 Obligations") to finance improvements to the System; and

WHEREAS, the District further heretofore entered into an Assistance Agreement dated as of May 1, 2002 with the Kentucky Rural Water Finance Corporation (the "Prior KRWFC Loan," and together with the Prior 1978 Obligations, the "Prior Obligations") to finance improvements to the System; and

WHEREAS, the District has determined it is necessary and desirable to refund the Prior Obligations in order to achieve debt service savings; and

WHEREAS, to accomplish the foregoing, and in accordance with the provisions of the Leasing Act, it is necessary and desirable that the District execute a Lease Finance Agreement, to be dated as of the date of its execution and delivery (the "Lease"), with The Bank of Kentucky, Inc. (the "Lessor") in an aggregate principal amount not to exceed \$860,000, subject to approval by the Public Service Commission of the Commonwealth of Kentucky; and

WHEREAS, in connection with the retirement of the Prior Obligations and the execution and delivery of the Lease, it is necessary for the District to establish the terms and conditions upon which the System will continue be operated for the protection of the Lessor and the holders

from time to time of any bonds or other obligations heretofore or hereinafter issued to finance additional improvements to the System.

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF BULLOCK PEN WATER DISTRICT, AS FOLLOWS:

SECTION 1. Definitions. As used in this Resolution, unless the context requires otherwise:

"Additional Debt" means debt issued in the future payable from the income and revenues of the System which may or may not rank on the basis of parity as to security and source of payment with the Lease.

"Annual Budget" means the District's budget for a fiscal year required to be prepared pursuant to Section 10(E) hereof.

"Board of Commissioners" means the governing body of the District.

"Bondholder," "Bond Owner," "Holder" or "Person" means the registered owners of fully registered debt at any time issued and outstanding hereunder, or any portion thereof.

"Cost of Issuance Fund" means the Bullock Pen Water District Cost of Issuance Fund established under the provisions of this Resolution for the purpose of accounting for the disbursements of costs of issuance of the Lease from the proceeds of the Lease.

"Date of Closing" means the date upon which the Lease is delivered to the Lessor.

"Debt" means the Lease and any Additional Debt.

"Depository Bank" means the bank which shall serve as the depository of all of the various funds created or referred to in this Resolution, provided that with respect to the Redemption Account, Depository Bank shall mean the Lessor.

"Depreciation Fund" means the Depreciation Fund so designated which was established and created by the 1978 Bond Legislation and which is to be maintained and continued pursuant to Section 8(B) hereof.

"District" means the Bullock Pen Water District.

"Engineer" or "Engineers" means the firm of consulting engineers who have prepared or will prepare the plans and specifications for the Construction Project and who will supervise the construction thereof.

"FDIC" means the Federal Deposit Insurance Corporation.

"Independent Consulting Engineer" means an independent consulting engineer or firm of engineers of recognized excellent reputation in the field of water or natural gas system engineering, as the case may be, and such definition includes the Engineers provided for above.

"Inferior Debt" means Debt issued in accordance with Section 9(B) hereof and made expressly subordinate, as to security and source of payment, with the Lease and any Parity Debt.

"Investment Obligations" means:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:

1. United States Treasury;
2. Export-Import Bank of the United States;
3. Farmers Home Administration;
4. Government National Mortgage Corporation; and
5. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

1. Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. Bank for Cooperatives;
4. Federal Intermediate Credit Banks;
5. Federal Land Banks;
6. Federal Home Loan Banks;
7. Federal National Mortgage Association; and
8. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics;

1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
2. The management company of the investment company shall have been in operation for at least five (5) years; and
3. All of the securities in the mutual fund shall be eligible investments as used in this definition.

"KRS" means the Kentucky Revised Statutes.

"Lease" means the Lease Finance Agreement dated as of the date of execution and delivery thereof between the District and the Lessor in an aggregate principal amount not to exceed \$860,000, which is payable from the income and revenues of the System authorized by this Resolution.

"Lessor" means The Bank of Kentucky, Inc.

"1978 Bond Legislation" means the resolution of the District adopted On March 29, 1978 authorizing the Prior 1978 Obligations.

"1982 Bond Legislation" means the resolution of the District adopted On July 20, 1982 authorizing the 1982 Obligations.

"1982 Obligations" means the District's \$125,000 Waterworks Revenue Bonds of 1982.

"Operation and Maintenance Costs" means, as of any particular date, the operating and maintenance expenses of the System and all other expenses of carrying out and administering the System, and in that regard operating and maintaining the System, and shall include, without limiting the generality of the foregoing, payments of the principal of, and interest on, Inferior Debt, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, upkeep, furnishings, equipment, repair of facilities, insurance premiums, legal, accounting, management, consulting and banking services and expenses.

"Operation and Maintenance Fund" means the fund so designated which was established and created by the 1978 Bond Legislation and which is to be maintained and continued pursuant to Section 8(C) hereof.

"Outstanding Obligations" means, collectively, the 1982 Obligations, the 2001G Obligations, the 2002 Obligations, the 2004 Obligations and the 2005B Obligations.

"Parity Debt" means the Lease, the Outstanding Obligations and any Additional Debt hereinafter issued and ranking on a parity basis as to security and source of payment with the Lease and Outstanding Obligations.

"Prior 1978 Obligations" means the District's \$1,330,000 Waterworks Revenue Bonds of 1978.

"Prior KRWFC Loan" means the Assistance Agreement dated as of May 1, 2002, 2002 between the District and the Kentucky Rural Water Finance Corporation in the original principal amount of \$715,000.

"Prior Obligations" means, collectively, the Prior 1978 Obligations and the Prior KRWFC Loan.

"Prior Projects" means, collectively, the improvements to the System constructed with the Prior Obligations.

"Redemption Fund" means the Bullock Pen Water District Redemption Fund established under the provisions of this Resolution for the purpose of accounting for the disbursements for the redemption of the Prior Obligations from the proceeds of the Lease.

"Revenue Fund" means the fund so designated which was established and created by the 1978 Bond Legislation and which is to be maintained and continued pursuant to Section 8 hereof.

"Revenues" means the totality of all service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the District for any services rendered by the works and facilities of the District which relates to the System, together with other income received by the District, if any, from any agency of government, both federal and state, as representing income or operating subsidies, as distinguished from capital grants, to the extent not otherwise required to be treated and applied.

"Sinking Fund" means the Sinking Fund designated which was established and created by the 1978 Bond Legislation and which is to be maintained and continued pursuant to Section 8(A) hereof.

"System" means the waterworks system of the District.

"2001G Obligations" means the Assistance Agreement dated as of July 30, 2003 between the District and the Kentucky Rural Water Finance Corporation in the original principal amount of \$460,000.

"2002 Obligations" means the Assistance Agreement dated as of July 30, 2003 between the District and the Kentucky Rural Water Finance Corporation in the original principal amount of \$574,000.

"2004 Obligations" means the Assistance Agreement dated as of October 19, 2004 between the District and the Kentucky Rural Water Finance Corporation in the original principal amount of \$98,000.

"2005B Obligations" means the Assistance Agreement dated as of October 19, 2004 between the District and the Kentucky Rural Water Finance Corporation in the original principal amount of \$290,000.

"U.S. Obligations" means bonds or notes which are the direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America.

SECTION 2. Operation of System; Declaration of Period of Usefulness. The District shall operate the System as a revenue-producing project under the provisions of the Constitution of Kentucky and Chapter 74 of the Kentucky Revised Statutes.

The District hereby declares that the period of usefulness of the entire System is more than twenty (20) years from the date of redemption of the Prior Obligations and the execution and delivery of the Lease.

SECTION 3. Authorization of Lease. It has been heretofore determined by the District that the total cost of the refunding of the Prior Obligations (including prepayment premiums, accrued interest, outstanding principal, legal and administrative expense, publication costs and all necessary and incidental expenses thereto) will not exceed \$860,000 and it is necessary that the District authorize and execute and deliver the Lease in an aggregate principal amount not to exceed \$860,000, for the purpose of financing the costs (not otherwise provided) of currently refunding the Prior Obligations under the provisions of the Leasing Act. There is hereby authorized to be executed and delivered the Lease in an aggregate principal amount not to exceed \$860,000, which Lease shall be dated as of the date of its execution and delivery, and shall bear interest from such date at a rate of 2.80% and shall be executed and delivered substantially in the form attached hereto as Exhibit A.

Interest and principal on the Lease shall be payable monthly on each monthly anniversary of the date of execution and delivery of the Lease, commencing on the first monthly anniversary of the date of execution and delivery of the Lease, in substantially level installments.

The Lease shall mature on the anniversary date which is fifteen years after the date of execution and delivery of the Lease.

SECTION 4 Provisions for Prepayment of Principal. Principal installments due on the Lease shall be subject to prepayment, in whole or in part, at any time, upon terms of the principal amount to be prepaid, plus accrued interest to the date of prepayment but without prepayment penalty.

In the event the District elects to prepay less than all of the lease, the Lessor and the District shall amend the payment schedule set forth in the Lease to reflect the correct unpaid principal balance following the partial prepayment and to provide for substantially level payments of principal and interest over the then remaining term of the Lease.

Notice of prepayment shall be given by regular United States mail to the Lessor not less than thirty (30) days prior to the date fixed for prepayment.

All principal payments as to which the District exercises the right of prepayment and as to which notice shall have been given, and for the prepayment of which, upon the terms aforesaid, funds are duly provided, shall cease to bear interest on the prepayment date so designated.

SECTION 5. Lease Payable from System Revenues; Pledge of Revenues. The Lease and all Parity Debt, together with the interest thereon, shall be payable solely and only out of the Bullock Pen Water District Sinking Fund, established under the provisions of the 1978 Bond Legislation, which is ordered continued and maintained pursuant to Section 8 of this Resolution, and shall be a valid claim of the registered owners thereof only against such Sinking Fund and the System Revenues pledged thereto in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes.

SECTION 6. Form of Lease; Execution Authorized. The Lease referred to herein shall be in substantially the same form as set form in Exhibit A to this Resolution, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Resolution.

The Lease shall be executed by the manual signature of the Chairman and attested by the manual signature of the Secretary.

SECTION 7. Delivery of the Lease; Disbursement of Lease Proceeds. There are hereby established two funds to be held by the Lessor and designated "Bullock Pen Water District Redemption Fund" (the "Redemption Fund") and "Bullock Pen Water District Cost of Issuance Fund" (the "Cost of Issuance Fund"). Upon execution and delivery of the Lease, there shall be deposited to the Redemption Fund from the proceeds of the Lease, the amount necessary to redeem and retire the Prior Obligations, which amount shall thereupon immediately be applied to the retirement of the Prior Obligations. The Lessor is hereby authorized and directed to disburse the moneys in the Redemption Fund for payment of the Prior Obligations without the need for further action by the District.

The remaining Lease proceeds shall be deposited to the Cost of Issuance Fund and shall be disbursed to pay fees and expenses incurred in connection with the execution, delivery and issuance of the Lease, including, without limitation, the fees and expenses of the Lessor, the Lessee, Lessee's counsel and Special Counsel, all administrative accounting, legal charges and expenses, and all recording, filing, title examination or insurance, surety bond and other fees. All requests for disbursements from the Cost of Issuance Fund shall be accompanied by one or more vouchers in form satisfactory to the Lessor executed by the Chairman of the District certifying that the amount requested represents a sum due for work performed in connection with the execution and delivery of the Lease and is eligible for payment by the District from the proceeds of the Lease herein authorized.

SECTION 8. Disposition of System Revenues. From and after the delivery of the Lease authorized under the provisions of this Resolution, the said System shall be operated on a fiscal year basis, commencing January 1 and ending on the immediately succeeding December 31, and on that basis all income and revenues derived directly or indirectly from the operation of said System shall be deposited promptly and as received first to the credit of the Revenue Fund established under the 1978 Bond Legislation, which is hereby directed and ordered to be

continued. Such Revenue Fund shall be held separate and apart from all other funds of the District and shall be maintained so long as the Lease and any Parity Debt are outstanding and payment is not provided therefore. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as provided in the 1978 Bond Legislation and as follows:

(A) Sinking Fund. The Sinking Fund created and established by the 1978 Bond Legislation shall continue to be maintained as long as the Lease and any Parity Debt are outstanding. The District covenants that it will deposit therein from the Revenue Fund such amounts as are required by the terms of the 1978 Bond Legislation, the Lease and any Parity Debt, and such sums shall be held and applied by the District as follows:

Beginning with the month following the delivery of the Lease, there shall be transferred from the Revenue Fund and deposited into the Sinking Fund amounts sufficient to meet the principal and interest requirements on all Parity Debt and the Lease, on or before the twentieth day of each month, as follows:

(1) A sum equal to (a) one-sixth (1/6) of the interest on any Parity Debt requiring semi-annual interest payments, plus (b) the interest installment next due on the Lease and any Parity Debt requiring monthly interest payments; plus

(2) A sum equal to (a) one-twelfth (1/12) of the principal of any Parity Debt requiring annual principal payments plus (b) the next succeeding principal installment on the Lease and any Parity Debt requiring monthly principal payments.

If the District for any reason shall fail to make any monthly deposits as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing month or months, which amount shall be in addition to the monthly deposit(s) otherwise required during such succeeding month or months.

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Board of Commissioners, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than six months from the date the investment is made, or the final maturity date of the Lease or Parity Debt issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

(B) Depreciation Fund. The Depreciation Fund created and established by the 1978 Bond Legislation shall continue to be maintained as long as the Lease and any Parity Debt are outstanding. It is hereby required, that following the required transfers set forth in Sections 8 (A) above, there shall be transferred each month to the Depreciation Fund a sum equal to the amounts required under the 1978 Bond Legislation or the 1982 Bond Legislation.

Funds in the Depreciation Fund shall be invested and utilized in the manner prescribed by the 1978 Bond Legislation and 1982 Bond Legislation.

In addition to the monthly transfers to said Depreciation Fund, the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of further extensions and improvements, and the proceeds from any property damage insurance, are required to be deposited in the Depreciation Fund and used only for the purposes for which such fund is established. Monies in the Depreciation Fund shall be used for making extraordinary maintenance, repairs, renewals, or replacements to the System, which would be necessary to keep the System in good operating condition, only when there is not sufficient money included in the annual budget and in the Operation and Maintenance Fund, or for paying the costs of constructing improvements or extensions to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. Notwithstanding anything contained herein to the contrary, moneys on deposit in the Depreciation Fund shall be available for the principal and interest requirements of the Lease or any Parity Debt, if for any reason funds are not available in the Sinking Fund sufficient to prevent a default.

In the event of any withdrawals from the Depreciation Fund the required balance shall be reestablished from transfers from the Revenue Fund.

(C) Operation and Maintenance Fund. The Operation and Maintenance Fund created and established by the 1978 Bond Legislation shall continue to be maintained as long as the Lease and any Parity Debt are outstanding. So long as the Lease or any Parity Debt remains outstanding and unpaid, there shall be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers required by Subsections (A) and (B) above of this Section 8, sufficient funds so that the balance on deposit in the Operation and Maintenance Fund shall be sufficient to cover Operation and Maintenance Costs for the System for a two month period pursuant to the Annual Budget, for which provision was made in the 1978 Bond Legislation and for which provision is hereinafter made.

(D) Surplus Funds. After the requirements of Subsections (A), (B) and (C) of this Section 8 have been met, and after payment of debt service on all subordinate obligations, or provision therefore having been made, surplus Funds shall be transferred to the Depreciation Fund or to the Sinking Fund for application to the purchase or redemption of Outstanding Obligations. .

(E) General Provisions. All payments into the above special funds shall be made on or before the 20th day of each month, except that when the 20th day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All moneys held in any of the above special funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, as defined herein, having a market value equivalent to such deposit as aforesaid.

The District covenants to the Lessor that it will make no use of the proceeds of such Lease at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Lease, would have caused such Lease to be "arbitrage bonds". Such

covenant shall impose an obligation upon the District to comply with the requirements of § 148 of the Code.

SECTION 9. Additional Debt.

(A) Parity Debt. So long as this Lease has not been cancelled, Parity Debt shall be authorized and issued pursuant to the provisions of the 1978 Bond Legislation, the 1982 Bond Legislation and this Resolution.

The Lease and any Parity Debt authorized to be issued by 1978 Bond Legislation, the 1982 Bond Legislation and this Resolution and from time to time outstanding, shall not be entitled to priority one over the other in the application of the Revenues or the security for payment thereof, regardless of the time or times of their issuance it being the intention that there shall be no priority among the Lease or any such Parity Debt regardless of the fact that they may be actually issued and delivered at different times.

The District has reserved the right and privilege of issuing Parity Debt from time to time payable from the Revenues on a basis of parity and equality with the Lease and all other Parity Debt authorized to be issued by this Resolution in order to (a) reconstruct, repair and improve the System; (b) make, acquire, construct and install additions, extensions, betterments, or improvements thereto; (c) acquire existing waterworks or water distribution systems from any person; and (d) refund any debt outstanding, provided in each instance that:

(i) the facility or facilities to be acquired, constructed, reconstructed or improved from the proceeds of the Parity Debt is or are made an integral part of the System and its or their income and revenues are pledged as additional security for all Parity Debt outstanding, including the Lease;

(ii) the District is in compliance with all covenants and undertakings in connection with the Lease and all of its Parity Debt then outstanding and payable from the Revenues; and

(iii) the net annual net revenues of the System (as described and defined in the 1978 Bond Legislation) for the fiscal year preceding the year in which such Parity Debt is to be issued are certified in writing by an independent certified public accountant (subject to adjustments as hereinafter provided) to have been equal to at least 120% of the average annual debt service requirements on the Lease and all Parity Debt outstanding payable from the Revenues, together with the Parity Debt then to be issued, calculated on the basis of the principal and interest on all such Parity Debt being payable in approximately equal annual installments.

With reference to the requirements of subparagraph (iii) of this Section 9(A), the amount of Revenues, and the "net annual revenues" of the System, may be adjusted (i) to reflect and take into account for the historical period being tested, any revision in the schedule of rates, rentals and charges being actually imposed and billed by the District at the time of issuance of such Parity Debt, and (ii) an increase in "net annual revenues" to be realized within 12 months of the completion of improvements being financed with such Parity Debt..

The District hereby covenants and agrees that in the event Parity Debt is issued, it shall adjust the monthly deposits into the Sinking Fund to reflect the annual debt service on the Parity Debt.

Nothing in this Section 9(A) is intended or shall be construed as a restriction upon the ordinary refunding of the Lease and/or of any Parity Debt which may be outstanding under any of the provisions of this Resolution if such refunding does not operate to increase amortization requirements in any year to and including the final maturity of all debt outstanding and not to be refunded, if any.

The Parity Debt (sometimes herein referred to as "permitted" to be issued) the issuance of which is herein conditioned and restricted, shall be understood to mean Parity Debt payable from the Revenues on a basis of parity and equality with the Lease, and shall not be construed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the Parity Debt authorized to be issued.

(B) Inferior Debt. Subject to the further limitations set forth in the 1978 Bond Legislation and 1982 Bond Legislation, the District may issue its bonds or other obligations payable from the Revenues herein pledged and not ranking on a basis of equality and parity with the Lease and Parity Debt herein otherwise described ("Inferior Debt"), without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions, betterments, extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the Lease and all Parity Debt herein authorized and permitted to be issued. In the event any such Inferior Debt is issued, the District may authorize and issue Inferior Debt to refund same, pursuant to the terms and conditions of this Section 9(B).

SECTION 10. General Covenants of the District. The District, through adoption of this Resolution, hereby irrevocably covenants and agrees with the Lessor, so long as the same or any part thereof remains outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky and by the terms and provisions of this Resolution.

(B) It will at all times operate said System on a revenue-producing basis and will permit no free services to be rendered or afforded thereby to any person, firm or corporation.

(C) It will maintain the said System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided, and will make renewals and replacements, as the same may be required, through application of revenues accumulated and set aside into the Depreciation Fund.

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except as expressly permitted here

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System, and the same shall be reasonable and just, taking into account And consideration the cost had value of the System, the costs of operating the same and maintaining it in good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all Debt and the Lease herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the delivery of the Lease, the District will adopt a budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any bonds are outstanding it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the Secretary and furnish copies thereof to the holder of any Debt upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements and extraordinary repairs and maintenance and payments into the Sinking Fund. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance, and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the Board of Commissioners of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the District agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year and, to the extent that said gross revenues are insufficient to provide for all payments required to be made under Section 8 hereof during such ensuing fiscal year, it will revise its rates and charges for services rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the delivery of the Lease herein authorized, and which shall not be reduced unless an independent, recognized and reputable Independent Consulting Engineer or Certified Public Accountant not in the regular employ of the District gives and files in the office of the Secretary a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current debt service requirements, depreciation requirements, operation and maintenance requirements and their several reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section 8 of this Resolution. Such statement shall set forth facts and figures which will support the conclusion reached.

(G) It will at all times segregate the revenues of the System from all other revenues, monies and funds of the District and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution in the manner and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any Holder and the Lessor, and any agent or representative of a Holder or the Lessor. Additionally, if requested to do so by the Lessor, said District will furnish to such Lessor a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section 8 hereof.

(I) It will, within one hundred eighty (180) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the Lessor. If requested to do so, the District will furnish to any Holder and the Lessor a condensed form of the Balance Sheet and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided.

(J) Any holder of Parity Debt and the Lessor, may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said District and its officers and agents of all entities imposed or required by law or this Resolution in connection with the operation of said System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of said Parity Debt or the Lease, then upon the filing of suit by any holder of said Parity Debt or Lease, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of current expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statutory laws of Kentucky aforesaid.

(L) The District will cause each officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Board of Commissioners, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from monies available in the Operation and Maintenance Fund.

SECTION 11. Lessor's Right to Enforce Covenants. The Lessor, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of said System, including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on the Lease or any Parity Debt, then upon the filing of suit by the Lessor or the Holders of not less than 25% of the outstanding principal amount of any Parity Debt, any court having jurisdiction of the action may appoint a receiver to administer the said System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such system and for the payment of operating expenses and to apply the income and revenue in conformity with this Resolution and with the provisions of Chapter 74 of the Kentucky Revised Statutes. Reasonable attorneys' fees and court costs incurred by any bondholder or bondholders in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the properties securing the Lease herein authorized.

SECTION 12. Insurance.

(A) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level (including equipment and machinery but not including elevated tanks and non-combustible materials) the District shall, upon the execution and delivery of the Lease if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Lease is outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System, the District shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the facilities so damaged or destroyed portion.

(B) Liability Insurance on Facilities. Upon the delivery of the Lease, the District shall, if such insurance is not already in force, procure and maintain, so long as the Lease are outstanding public liability insurance relating to the operation of the facilities of the System with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident, to protect the District from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the District owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Lease, the District shall, if such insurance is not already in force, procure and maintain, so long as the Lease are outstanding vehicular public liability insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident, to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the operation of such vehicles by the District.

(D) Workmen's Compensation. The District will carry suitable Workmen's Compensation coverage as required by the laws of the Commonwealth of Kentucky.

SECTION 13. Contractual Nature of Resolution. The provisions of this Resolution shall constitute a contract between the District and the Lessor; and after the delivery of the Lease no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner except as herein provided until such time as the Lease and the interest thereon have been paid or provided for in full; provided the District may enact other resolutions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto, subject to the condition that this Resolution shall not be so modified in any manner that may adversely affect the rights of the Lessor.

SECTION 14. Designation as Qualified Tax-Exempt Obligation. The District hereby specifically designates the Lease as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code"). The District hereby represents that the District reasonably anticipates that it will not issue in calendar year 2012 or 2013, "qualified tax-exempt obligations" in an amount greater than \$10,000,000.


SECTION 15. Expectation Regarding the Lease. The District, by the adoption of this Resolution, certifies that it does not reasonably anticipate that less than 95% of the proceeds of the Lease will be used for "local government activities" of the District.

SECTION 16. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

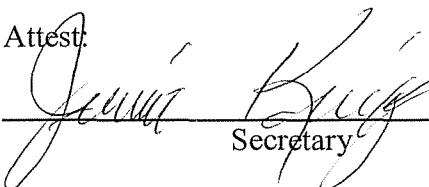
SECTION 17. Repeal of Inconsistent Provisions. All resolutions and orders, or parts thereof, in conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed.

SECTION 18. Effective Date of Resolution. This Resolution shall take effect from and after its passage; as provided by law.

Passed and Adopted on November 20, 2012.



Chairman,
Bullock Pen Water District

Attest:


Secretary

EXHIBIT A
(Form of Lease)

72032v1

EXHIBIT “6”

LEASE FINANCE AGREEMENT

By and Between

THE BANK OF KENTUCKY, INC.

and

BULLOCK PEN WATER DISTRICT

Dated as of January 1, 2013

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(The Table of Contents is not part of the Lease Agreement,
but for convenience of reference only)

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LEASE FINANCE AGREEMENT

This Lease Finance Agreement ("Lease"), made and entered into as of this 1st day of January, 2013, by and between THE BANK OF KENTUCKY, INC., a Kentucky banking corporation organized and existing under the laws of the Commonwealth of Kentucky ("Lessor"), and the BULLOCK PEN WATER DISTRICT, a water district and political subdivision of the Commonwealth of Kentucky, organized and existing under and by virtue of the laws of the Commonwealth of Kentucky (the "Lessee").

WITNESSETH:

WHEREAS, the purpose of this Lease is to provide funds to currently refund (i) the District's outstanding Waterworks Revenue Bonds of 1978 (the "Prior 1978 Obligations") and (ii) a certain Assistance Agreement dated as of May 1, 2002 between the Kentucky Rural Water Finance Corporation and the District (the "Prior KRWFC Loan," and together with the Prior 1978 Obligations, the "Prior Obligations"), issued to finance improvements to the Lessee's waterworks system (the "System"), all of which is located within the boundaries of the Lessee and is more specifically identified in Exhibit A hereto (the "Leased Facilities"); and

WHEREAS, in conjunction with the refinancing of the Prior Obligations, the Lessor wishes to lease to the Lessee, and the Lessee wishes to lease from Lessor, such Leased Facilities, subject to the terms and conditions set forth in this Lease; and

WHEREAS, the Lessee has heretofore obtained the approval of the Public Service Commission of the Commonwealth of Kentucky (the "PSC") for the refinancing of the Leased Facilities; and

WHEREAS, pursuant to the resolution adopted by the Lessee on November 20, 2012, (the "Resolution"), Lessor and Lessee intend that the Lease rank on a parity with the Lessee's Outstanding Obligations (as defined in the Resolution) and that the Lessee may issue obligations ranking on a parity with this Lease subject to, and in accordance with, the provisions of this Lease and the Resolution;

NOW THEREFORE, in consideration of the rent to be paid hereunder and the covenants and agreements contained herein, it is agreed by and between the parties as follows:

SECTION 1. Certain Defined Terms and References. (a) In addition to the terms defined elsewhere in this Lease, the following terms have the meanings given below unless the context clearly requires otherwise:

"Additional Rent" means the payments required to be made pursuant to Section 7 in addition to the Base Rent.

"Authorized Officer," when used:

(i) With respect to Lessee, means the Board of Commissioners of the Lessee or any officer of Lessee who is designated in writing by the Lessee as an Authorized Officer for the purposes of this Lease.

(ii) With respect to Lessor, means any officer of Lessor who is designated in writing by the Lessor's Board of Directors as an Authorized Officer for purposes of this Lease.

"Board of Commissioners" means the Board of Commissioners of the Lessee.

"Closing Date" means the date on which the Lease is executed and delivered by the Lessor and the Lessee.

"Cost of Issuance Fund" means the Cost of Issuance Fund established pursuant to Section 4 of this Lease.

"Event of Default" means any Event of Default described in Section 21.

"Final Maturity Date" means January 1, 2023.

"Independent Counsel" means any attorney or attorneys duly admitted to practice law before the highest court of any state and not an officer or full time employee of Lessor or Lessee and who is not reasonably objected to by the Purchaser.

"Lease" means this Lease Finance Agreement, as the same may be amended or supplemented from time to time.

"Lease Payment Account" means the Lease Payment Account to receive Lease Payments.

"Lease Payment Date" means February 1, 2013, and the first day of each month thereafter, through and including January 1, 2023.

"Lease Payments" means the sum of the Base Rent and Additional Rent due at or during a stated time.

"Lease Term" means, the term of the Lease, commencing on the date of execution of the Lease through and including the earlier of the date the Lessee exercises its option to purchase or the end of the Final Maturity Date.

"Leased Facilities" means the facilities described in Exhibit A and any replacements or additions thereto permitted under the provisions of Section 13 hereof.

"Lessee" or "District" means the Bullock Pen Water District, a water district and political subdivision of the Commonwealth of Kentucky.

"Lessor" means The Bank of Kentucky, Inc., and any successor.

"Permitted Investments" means:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:

1. United States Treasury;
2. Export-Import Bank of the United States;
3. Farmers Home Administration;
4. Government National Mortgage Corporation; and
5. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

1. Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. Bank for Cooperatives;
4. Federal Intermediate Credit Banks;
5. Federal Land Banks;
6. Federal Home Loan Banks;
7. Federal National Mortgage Association; and
8. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics;

1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

2. The management company of the investment company shall have been in operation for at least five (5) years; and
3. All of the securities in the mutual fund shall be eligible investments as used in this definition.

"Prior 1978 Obligations" means the District's \$1,330,000 Waterworks Revenue Bonds of 1978.

"Prior KRWFC Loan" means the Assistance Agreement dated as of May 1, 2002, 2002 between the District and the Kentucky Rural Water Finance Corporation in the original principal amount of \$715,000.

"Prior Obligations" means, collectively, the Prior 1978 Obligations and the Prior KRWFC Loan.

"Purchase Price" means, as of any Purchase Price Date, the amount set forth in Exhibit C, which Lessee may pay to Lessor to purchase the Leased Facilities.

"Purchase Price Date" means the applicable date referred to in Exhibit C on which Lessee may purchase the Leased Facilities by payment of the applicable Purchase Price to Lessor.

"Redemption Fund" means the Redemption Fund established pursuant to Section 4 of this Lease.

"Resolution" means the resolution of the Lessee adopted on October 18, 2012 authorizing the execution and delivery of the Lease.

"Special Counsel" means Peck, Shaffer & Williams, Covington, Kentucky.

"State" means the Commonwealth of Kentucky.

"System" means the Lessee's waterworks system.

(b) References to sections or exhibits, unless otherwise indicated, are to sections of or exhibits to this Lease.

SECTION 2. Assignment of Warranties. LESSOR MAKES NO WARRANTY OR REPRESENTATION AS TO THE TITLE, VALUE, DESIGN, CONDITION, FITNESS FOR PARTICULAR PURPOSE OR USE WITH RESPECT TO THE LEASED FACILITIES and the Lessor assigns to Lessee during the Lease Term, all warranties, including contractors' warranties, if any, express or implied with respect to the Leased Facilities. That assignment shall include an authorization to Lessee to obtain the customary services furnished in connection with those warranties, at Lessee's expense.

Unless and only to the extent otherwise expressly provided in this Lease, this Lease shall not modify, affect or supersede the respective liabilities, obligations, rights, duties and responsibilities of the Lessee under any contracts it may have with respect to the construction, reconstruction, or repair of the Leased Facilities.

SECTION 3. Lease of Leased Facilities. Lessee hereby demises, leases and lets to Lessor, and Lessor rents, leases and hires from Lessee, the Leased Facilities for the Lease Term. Lessor hereby demises, leases and lets back to Lessee, and Lessee rents, leases and hires back from Lessor, the Leased Facilities in accordance with the provisions of this Lease, to have and to hold for the Lease Term. All leasehold rights granted to Lessee by Lessor under this Lease shall vest in Lessee, without any further action on the part of Lessor.

SECTION 4. Disbursements of Proceeds of Lease. There are hereby established two funds to be held by the Lessor and designated "Bullock Pen Water District - Redemption Fund" (the "Redemption Fund") and "Bullock Pen Water District - Cost of Issuance Fund" (the "Cost of Issuance Fund"). Upon execution and delivery of this Lease, there shall be deposited to the Redemption Fund from the proceeds of this Lease, an amount equal to \$_____, of which (i) \$_____ shall immediately be transferred to the Kentucky Rural Water Finance Corporation and applied to the retirement in full of the Prior KRWFC Loan on _____, and (ii) \$_____ shall immediately be transferred to the trustee or paying agent for the Prior 1978 Obligations and applied to the redemption and retirement in full of the Prior 1978 Obligations on _____. The Lessor is hereby authorized and directed to disburse the moneys in the Redemption Fund for payment of the Prior Obligations:

The remaining Lease proceeds shall be deposited to the Cost of Issuance Fund hereby created and shall be disbursed to pay fees and expenses incurred in connection with the execution, delivery and issuance of the Lease, including, without limitation, the fees and expenses of the Lessor, the Paying Agent, the Lessee, Lessee's counsel and Special Counsel, all administrative accounting, legal charges and expenses, and all recording, filing, title examination or insurance, surety bond and other fees. The Lessor is hereby authorized and directed to disburse such sum to Peck, Shaffer & Williams LLP upon receipt of a statement from such firm addressed to the Lessee requesting payment for services rendered in connection with the Lease.

SECTION 5. Acceptance of Leased Facilities. The Lessee acknowledges its acceptance of the Leased Facilities in good condition.

SECTION 6. Term. The term of this Lease shall commence on the date of execution of this Lease and will terminate on January 1, 2023, unless sooner terminated in accordance with the provisions hereof.

SECTION 7. Rent and Security. (a) Lessee agrees to pay to Lessor during the Lease Term the Lease Payments, including the interest components thereof, equal to the amounts provided below in this Section. The Lease Payments during the Lease Term will be absolute and unconditional in all events and will not be subject to any set-off, defense, counterclaim or recoupment for any reason whatsoever, including destruction of the Leased Facilities.

(b) Lessee agrees to pay as Base Rent directly to the Lessor the following amounts:

(i) Lessee agrees to pay the Base Rent specified in Exhibit B. Each payment shall be applied first to payment of the interest component of the respective Base Rent; provided, however, Lessee may make advance payments of principal components of Base Rent, provided that the Lessee is not in arrears with respect to any payment due hereunder.

(c) Lessee agrees to pay to the Lessor the following amounts as Additional Rent:

(i) Lessee represents that no charges or taxes (local, State or federal) are currently imposed on the ownership, leasing, rental, sale, purchase, possession or use of the Leased Facilities, exclusive of taxes on or measured by Lessor's income, and acknowledges that no provision has been made for the inclusion of any such charges or taxes in the Base Rent. If during the Lease Term, the ownership, leasing, rental, sale, purchase, possession or use of the Leased Facilities shall result in the imposition on Lessor of any charges or taxes (local, State or federal), exclusive of taxes on or measured by Lessor's income, Lessee shall promptly pay to Lessor, upon receipt from Lessor of a statement therefor, as Additional Rent an amount equal to those charges and taxes imposed on Lessor.

(ii) Lessee will pay to Lessor as Additional Rent all reasonable costs and expenses incurred or to be paid by the Lessor under the Lease, including the Lessor's reasonable fees and expenses, the Lessor's out-of-pocket expenses, and the Lessor's attorney fees incurred during the term of the Lease which were not part of the original cost of the Lease.

(d) If Lessee shall not make payment of all or any part of that Additional Rent, the Lessor shall have the right, but shall not be obligated, to pay or advance the amount of such Additional Rent. If the Lessor pays any portion of such Additional Rent, Lessee shall pay Lessor no later than the next Lease Payment Date an amount equal to the sum of such Additional Rent and the costs incurred by Lessor in making such payment or advance, including the amount Lessor would have earned from investment of the amount paid or advanced before repayment thereof as determined by the Prime Rate, as announced in The Wall Street Journal, plus 1%. Lessor shall notify Lessee in writing of the costs incurred in any case of its paying or advancing such Additional Rent.

(e) Lease Payments shall be payable from the revenues of the System and there are hereby pledged to the payment of Lease Payments in accordance with the Resolution the revenues of the System. The Lessee covenants to apply the revenues of the System in accordance with the provisions of the Resolution.

(f) Lessee hereby grants Lessor a statutory mortgage lien on the Leased Facilities in accordance with Section 14 of the Resolution.

(g) Lease Payments shall be payable at the principal office of the Lessor or at such other place as may be designated in writing by the Lessor.

SECTION 8. Actions Relating to Tax Exemption of Interest Components. (a) Lessor and Lessee each covenant that it will restrict the use of moneys realized under this Lease or otherwise in connection with the refinancing of the Leased Facilities in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of entering into this Lease, so that there will not exist at any time any obligation in connection with

this Lease or the Leased Facilities that constitutes an obligation the interest on which is includible in gross income for federal income tax purposes or an "arbitrage bond" under § 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed under that Section and any subsequent amendments or modifications thereto. Any officer of the Lessor or Lessee having responsibility with respect to the execution and delivery of this Lease shall, alone or in conjunction with any other officer, employee or agent of or consultant to the Lessor or Lessee, give an appropriate certificate of the Lessor or Lessee pursuant to §§ 103 and 148 of the Code and those regulations, setting forth the reasonable expectations of the Lessor or Lessee on the date of entering into this Lease regarding this Lease and the use of those moneys.

(b) Lessee represents and covenants that it will not use the Leased Facilities, or permit the Leased Facilities to be used, in such a manner as would result in the exclusion from gross income for federal income tax purposes of the component of the Base Rent designated as interest on Exhibit B afforded under § 103(a) of the Code.

(c) The Lessee will keep accurate accounts of the investment earnings on nonpurpose investments and will timely rebate to the United States (a) the excess of the aggregate amount earned on all nonpurpose investments over the amount which would have been earned if all nonpurpose investments were invested at a rate equal to the yield on the Certificates and (b) any income attributable to such excess.

(d) The Lessor and Lessee each covenant to take all action required to maintain exclusion from gross income for federal income tax purposes afforded under § 103(a) of the Code, of the Base Rent designated as the Interest Component on Exhibit B hereto.

SECTION 9. Authority and Authorization. Lessee represents, covenants and warrants, and will deliver to Lessor an opinion of its counsel to the effect that: (i) the Lessee is a sanitary sewer district and political subdivision of the State, duly organized and validly existing under and by virtue of the laws of the State; (ii) the execution, delivery and performance by the Lessee of this Lease have been duly authorized by all necessary action on the part of the Lessee, including the Board of Commissioners; and (iii) this Lease constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms. Lessee agrees and warrants that: (i) it will do or cause to be done all things necessary to preserve and keep the Lease in full force and effect; (ii) it has complied with all requirements applicable to it, and has taken all steps for approval and adoption of this Lease as a valid obligation on its part; and (iii) it possesses all easements, rights-of-way and use agreements necessary for the use and operation of the Leased Facilities.

SECTION 10. Title. (a) Title to the Leased Facilities during the Lease Term shall remain in the Lessee subject to the security interest granted to the Lessor hereunder. Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Leased Facilities and the Lease.

(b) The Leased Facilities shall become the property of Lessee and title thereto free and clear of the security interest herein granted shall vest in the Lessee without cost upon (i) Lessee's exercise of the purchase option granted in Section 18 hereof, (ii) defeasance of this Lease pursuant to Section 22 hereof or (iii) the complete payment and performance by Lessee of all of its obligations during the Lease Term. In any of such cases, Lessor agrees to execute such instruments and do such things as Lessee reasonably requests in order to effectuate transfer of

any and all of Lessor's right, title and interest in the Leased Facilities and to release the security interest granted to Lessor hereunder. It is hereby acknowledged by Lessor and Lessee that Lessee intends to purchase the Leased Facilities on the terms set forth in this Lease.

SECTION 11. Real Property. The Leased Facilities are and will remain real property and not personal property.

SECTION 12. Use; Maintenance and Repair; Indemnification. (a) Lessee will: (i) use the Leased Facilities in a careful manner for the use contemplated by this Lease and the Kentucky Revised Statutes with respect to facilities of this type; (ii) comply with all laws, insurance policies and regulations relating to the use, maintenance and operation of the Leased Facilities; and (iii) pay all costs, claims, damages, fees and charges arising out of its possession, use or maintenance of the Leased Facilities.

(b) Lessee, at its expense, will: (i) keep the Leased Facilities in good repair and furnish all parts, mechanisms and devices required therefor, and (ii) obtain and maintain any governmental licenses and permits required for ownership and operation of the Leased Facilities.

(c) Lessee will repair and maintain, or by contract provide for the proper repair and maintenance of, the Leased Facilities in accordance with this Section 12 during the Lease Term.

(d) Lessor agrees that during the Lease Term, unless there is an Event of Default, it will not impair the Lessee's abilities to operate or maintain the Leased Facilities in sound operating condition so that the Leased Facilities will be able to carry out its intended functions.

(e) Lessee releases Lessor from, agrees that it shall not be liable for and, solely to the extent permitted by law, indemnifies Lessor against causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses except as may be limited by law or judicial order or decision entered in any action brought to recover moneys under this Section) imposed upon, incurred by or asserted against Lessor on account of (a) ownership of any interest in the Leased Facilities or any part thereof, (b) any accident, injury or death to persons or damage to property occurring on or about the Leased Facilities or any part thereof or the adjoining sidewalks, curbs, streets or ways, (c) any use, disuse or condition of the Leased Facilities or any part thereof, or the adjoining sidewalks, curbs, streets or ways, (d) any failure on the part of Lessee to perform or comply with any of the terms hereof or (e) the performance of any labor or services or the furnishing of any materials or other property in respect of the Leased Facilities or any part thereof. In case any action, suit or proceeding is brought against Lessor for any such reason, Lessee, upon the request of Lessor, will at Lessee's expense, cause such action, suit or proceeding to be resisted and defended by Independent Counsel.

Lessor agrees to indemnify and save harmless Lessee against and from any and all cost, liability, expenses and claims arising from any breach or default on the part of Lessor in the performance of any covenant or agreement on the part of Lessor to be performed pursuant to the terms of this Lease, or arising from any act or negligence of or failure to act by Lessor, or any of its agents, contractors, servants, employees, or licensees, and from and against all cost, liability and expenses incurred in or in connection with any such claim or action or proceeding brought thereon; and in case any action or proceeding be brought against Lessee by reason of any such claim, Lessor upon notice from Lessee covenants to resist or defend such action (using counsel acceptable to Lessee) or proceedings at Lessor's expense.

SECTION 13. Alterations. Lessee will not make any alterations, additions, substitutions or replacements to the Leased Facilities which would have an adverse effect on either the nature of the Leased Facilities or the functionality or value of the Leased Facilities. Subject to the foregoing, the Lessee may make such alterations, additions, or improvements to the Leased Facilities which may be readily removed without damage to the Leased Facilities, and each other alteration, addition, improvement, substitution or replacement as the Lessee deems necessary, provided, however, that any alterations, additions or improvements to the Leased Facilities which may not be readily removed without damage to the Leased Facilities, and any substitutions or replacements, shall be and be considered to constitute a part of the Leased Facilities.

SECTION 14. Location; Inspection. Except for removal for repair or replacement, no part of the Leased Facilities will be removed. Lessor will be entitled to enter upon the sites of the Leased Facilities or elsewhere during reasonable business hours to inspect, or observe the use and operation of the Leased Facilities.

SECTION 15. Liens and Encumbrances. Lessee and Lessor shall keep the Leased Facilities free and clear of all liens and encumbrances except those created or permitted under this Lease and the Resolution.

SECTION 16. Risk of Loss; Damage; Destruction. Lessee assumes all risk of loss or damage to the Leased Facilities from any cause whatsoever. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Leased Facilities will relieve Lessee of the obligation under this Lease. Lessee will promptly repair or replace any portions of Leased Facilities lost, destroyed, damaged or appropriated necessary to maintain the Leased Facilities in sound operating condition so that at all times during the Lease Term the Leased Facilities will be able to carry out their intended functions. However, if the Leased Facilities shall be damaged or destroyed to such extent that they cannot be reasonably restored with available insurance proceeds within a period of six months to the condition thereof immediately preceding such damage or destruction, the Lessee shall provide for defeasance of the Lease by providing for the payment of Base Rent sufficient to result in the prepayment of this Lease in whole at a price equal to 100% of the outstanding principal balance, plus interest accrued through the date the Lease is prepaid.

SECTION 17. Insurance. (a) Lessee during the term of this Lease shall maintain, with any loss deductible commonly used by Lessee and prudent under the circumstances, casualty insurance covering all parts of the Leased Facilities which are essential to the overall operation of the Leased Facilities.

(b) Casualty insurance may be provided under blanket or similar coverage insuring other facilities of the Lessee. Such insurance may be a combination of self-insurance and an excess liability policy.

(c) The proceeds of any casualty insurance or appropriation awards, to the extent they are not promptly used or encumbered for the purposes stated in Section 16 hereof, shall be paid to the Lessor for deposit in the Lease Payment Account and name the Lessor as a loss payee.

(d) Except as otherwise provided in Section 16 hereof, in the event of total destruction of the Leased Facilities, the Lessee shall apply insurance proceeds, self-insurance and

any other moneys available and appropriated for the purpose, to the acquisition and construction of replacement Leased Facilities.

Notwithstanding any provision of this Section 17 to the contrary, Lessee covenants that it shall at all times maintain insurance on the System in the manner and for the amounts set forth in the Resolution.

SECTION 18. Purchase Option. Lessee shall have the right to exercise its option to purchase the Leased Facilities upon payment of an amount equal to the Purchase Price as of such date as set forth on Exhibit C, and upon the giving of notice to the Lessor of such intention of Lessee at least sixty (60) days prior to the date upon which such right will be exercised. Upon exercise by Lessee of its option to purchase the Leased Facilities pursuant to this Lease, Lessor will deliver to Lessee all documents which are or may be necessary to vest all of Lessor's right, title and interest in and to the Leased Facilities in Lessee, and will release all liens and encumbrances created under this Lease with respect to the Leased Facilities.

SECTION 19. Assignments. The obligation of the Lessee under this Lease is in registered form pursuant to § 149 of the Code and this obligation and the rights to Lease Rental Payments hereunder may not be sold, assigned or transferred except as set forth below:

(a) Lessee may not, without the prior written consent of Lessor and an opinion of nationally recognized bond counsel to the effect that such assignment will not adversely affect the excludability from gross income for federal income tax purposes of the interest component of Base Rent: (i) assign, transfer, pledge, hypothecate or grant any security interest in or otherwise dispose of this Lease or the Leased Facilities (without replacement or substitution in accordance with this Lease) or any interest in this Lease or the Leased Facilities, or (ii) sublease the Leased Facilities or permit it to be operated by anyone other than Lessee, Lessee's employees or persons authorized by Lessee in connection with Lessee's operation and maintenance of the Leased Facilities.

(b) The Lessor represents, and Lessee acknowledges, that the Lessor may assign without recourse to a subsequent purchaser its rights and duties, in and to this Lease, the Leased Facilities and other documents executed with respect to this Lease.

(c) Subject to the preceding subsections, this Lease inures to the benefit of and is binding upon the successors or assigns of the parties to this Lease.

SECTION 20. Events of Default. The occurrence of any one or more of the following events constitutes an "Event of Default" under this Lease:

(a) Lessee's failure to make any payment of Base Rent as it becomes due in accordance with the terms of this Lease; or

(b) Lessee's failure to perform or observe any other covenant, condition or agreement to be performed or observed by it under this Lease, and the failure is not cured or steps satisfactory to Lessor or Purchaser taken to cure the failure, within 15 days after written notice to Lessee by Lessor or Purchaser.

SECTION 21. Remedies. Upon the occurrence of an Event of Default described in Section 20(a) above, and as long as the Event of Default is continuing, the Lessor, may, at its option, exercise any one or more of the following remedies as to the Leased Facilities:

(a) By written notice to Lessee, declare an amount equal to all amounts then due under this Lease to be immediately due and payable, whereupon that amount shall become immediately due and payable;

(b) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the State or any other applicable law or proceed by appropriate court action to enforce the terms of this Lease or to recover damages for the breach of this Lease or to rescind this Lease as to any or all of the Leased Facilities.

In addition to the foregoing, upon the occurrence of an Event of Default set forth in Section 20(a) above, the Lessor may exercise any remedy available at law or in equity to enforce the obligations of the Lessee hereunder including the right to petition a court of competent jurisdiction to appoint a receiver for the Leased Facilities, and to collect the revenues and other income therefrom.

Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by Lessor with respect to the enforcement of any of the remedies under this Lease.

SECTION 22. Defeasance. (a) All Lease Payments will be deemed to be paid when:

(i) Cash and/or Permitted Investments which mature as to principal and interest in such amounts and at such times as will insure the availability, without further investment or reinvestment, of sufficient money, for payment of (A) the Purchase Price on a designated Purchase Price Date or (B) all Base Rent through the final Lease Payment Date, are irrevocably deposited with or made available to the Lessor in trust and irrevocably set aside for such payment; and

(ii) All customary fees, compensation and reasonable expenses of the Lessor, and all Additional Rent, pertaining to the Lease, as they relate to the Leased Facilities, and its duties in connection therewith are paid or provided for to the satisfaction of the Lessor.

(b) When all Base Rent is deemed paid, as provided above, and the Lessor has received the unqualified written legal opinion of nationally recognized bond counsel to the effect that the deposit of cash and/or Defeasance Obligations in trust will not cause the Base Rent, thereafter payable from those sources, designated as interest component on Exhibit B to be included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended, the Lessor will be entitled to payment of Base Rent solely from that cash or the proceeds of those Defeasance Obligations and the right, title and interest of the Lessor and Lessee under this Lease as to the Leased Facilities shall then cease, terminate and become void, except for Lessee's obligations to Lessor under Section 12(e) which shall survive the termination of this Lease.

Prior to any defeasance becoming effective under this Lease, (i) Lessor shall have received an opinion of Independent Counsel, satisfactory to Lessor, to the effect that (a) interest on the Lease being paid by such defeasance will not become subject to Federal income taxation by reason of such defeasance, and (b) the proceeds of any deposit to effectuate such defeasance shall not constitute a voidable preference in a case commenced under the Federal Bankruptcy Code by or against the Lessor, (ii) the amounts required to be deposited pursuant to this Section 22 and the escrow deposit agreement established to effectuate the defeasance shall be invested only in cash or Permitted Investments and (iii) certification from an independent public accounting firm that sufficient moneys have been deposited with the Lessor to make all required payments on the Lease, without further investment or reinvestment. (The opinion required by (i)(b) above may be waived in the discretion of Lessor at the time of such defeasance).

SECTION 23. Notices. All notices to be given under this Lease shall be made in writing and mailed by certified or registered mail, return receipt requested, to the party at its address stated below or at such other address as the party may provide in writing from time to time. All parties listed below shall be sent a copy of any notice sent to any party pursuant to this Lease.

If to Lessee: Bullock Pen Water District
 1 Farrell Drive
 Crittenden, Kentucky 41030
 Attention: Chairman

With a copy to the then Attorney for the Lessee

If to Lessor: The Bank of Kentucky, Inc.
 111 Lookout Farm Drive
 Crestview Hills, Kentucky 41017
 Attention: Richard Wood

SECTION 24. Headings. All section headings contained in this Lease are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

SECTION 25. Governing Law. This Lease shall be construed in accordance with and governed by the laws of the Commonwealth of Kentucky.

SECTION 26. Delivery of Related Documents. Lessee will execute or provide, as requested by Lessor, such other documents and information as are reasonably necessary with respect to the transactions contemplated by this Lease.

Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Leased Facilities and this Lease.

SECTION 27. Special Representations and Covenants of Lessor. (a) Lessor represents that it is a national banking association duly organized and validly existing under the laws of the United States of America, with full power and authority to finance and lease the Leased Facilities to the Lessee in accordance with the terms of this Lease.

(b) Neither the execution and delivery of the Lease, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions

contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which Lessor or its property is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of Lessor, or upon the Leased Facilities except encumbrances permitted by this Lease.

SECTION 28. Special Representations and Covenants of Lessee.

(a) The Lessee represents that it intends to the maximum extent possible to support and maintain the Leased Facilities including operation and maintenance, due to the essential function performed at said Leased Facilities.

(b) The Lessee hereby designates this Lease Agreement with Option to Purchase as a "qualified tax-exempt obligation" with respect to investments by certain financial institutions under § 265(b)(3) of the Internal Revenue Code of 1986, as amended, (the "Code"). Lessor agrees and covenants to keep a complete and accurate record of all assignments in form necessary to comply with the provisions of 149(a) of the Code, and any regulations proposed or existing, or from time to time promulgated thereunder. Lessor agrees to acknowledge in writing any assignments if so requested by the Lessee.

(c) Lessee will, upon request of Lessor, at Lessee's sole cost and expense do and perform any other act and will execute, acknowledge, deliver, file, record and deposit (and will re-file, re-register, re-record, and re-deposit whenever required) any and all further instruments required by law of Lessor including, without limitation, financing statements or other documents needed for the protection of Lessor's interest.

(d) Lessee will provide Purchaser with annual audited financial statements of the Lessee within 120 days of the end of each fiscal year of the Lessee.

SECTION 29. Entire Agreement; Amendment; Severability. (a) This Lease, together with attachments and exhibits, and other documents or instruments executed by Lessee and Lessor in connection with this Lease, constitute the entire agreement between the parties with respect to the lease of the Leased Facilities.

(b) This Lease may not be modified, amended, altered or changed except with the written consent of Lessee and the Lessor.

(c) If any provision of, or any covenant, obligation or agreement contained in this Lease is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained in this Lease. The invalidity or unenforceability shall not affect any valid or enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

IN WITNESS WHEREOF, the parties have executed this Lease by their authorized officers as of January 1, 2013.

THE BANK OF KENTUCKY, INC.

By: _____

Title: _____

BULLOCK PEN WATER DISTRICT

By: _____

Title: _____

ATTEST:

Secretary

EXHIBIT A

LEASED FACILITIES

The Leased Facilities consist of

EXHIBIT B
LEASE PAYMENTS

EXHIBIT C

PURCHASE PRICE SCHEDULE

(i) On any Lease Payment Date during the Lease Term an amount necessary to defease all payments of Base Rent through the final Lease Payment Date, (ii) on any date upon the events set forth in Section 16 of this Lease, an amount equal to 100% of the remaining principal portion of the Lease outstanding, plus accrued interest on such principal amount through the date of exercise of such option, or (iii) on any date the remaining principal portion of the Lease, plus accrued interest through the date of exercise of such option:

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