

EAST PENDLETON CO. WATER DISTRICT

601 Woodson Road P.O. Box 29  
Falmouth, KY 41040  
(859) 654-2100 Fax: (859) 654-3144

RECEIVED

MAR 14 2013

PUBLIC SERVICE  
COMMISSION

March 8, 2013

Public Service Commission  
211 Sower Blvd.  
PO Box 615  
Frankfort, KY 40602

Dear Sir or Madam:

Enclosed please find the original and five (5) copies of our Application for Rate Adjustment. We would like to request, if the rate increase is approved as outlined in the enclosed application, that April 16, 2013 be the effective date of the increase. If something should delay the processing of our application such that you will not be able to grant the April 16, 2013 date, we would like the effective date to be the 16th of the following month. We read meters and bill on approximately the 15th of each month. If the effective date is set at the 16th of the month, our customers can be billed at the new rates for the entire month. If the effective date is set at the 1st of the month, we will have to prorate the bill or wait until the next billing cycle to implement the new rates.

If you should require additional information or have questions, please contact me at (859) 654-2100 or email at [wayne@epwd.net](mailto:wayne@epwd.net).

Yours truly,



Wayne Lonaker  
Manager

**EAST PENDLETON COUNTY WATER DISTRICT**

**MARCH 2013**

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**SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY**

**APPLICATION FOR RATE ADJUSTMENT  
BEFORE THE PUBLIC SERVICE COMMISSION**

For Small Utilities Pursuant to 807 KAR 5:076  
(Alternative Rate Filing)

East Pendleton Water District

(Name of Utility)

P.O. Box 29

(Business Mailing Address - Number and Street, or P.O. Box)

Falmouth, KY 41040

(Business Mailing Address - City, State, and Zip)

(859) 654-2100

(Telephone Number)

**BASIC INFORMATION**

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

Wayne Lonaker

(Name)

601 Woodson Road

(Address - Number and Street or P.O. Box)

Falmouth, KY 41040

(Address - City, State, Zip)

(859) 654-2100

(Telephone Number)

wayne@epwd.net

(Email Address)

**(For each statement below, the Applicant should check either "YES" or "NO".)**

- |   | YES                                 | NO                       |
|---|-------------------------------------|--------------------------|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. Applicant's records are kept separate from other commonly-owned enterprises.   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- |   | YES                                 | NO                                  |
|---|-------------------------------------|-------------------------------------|
| 4. a. Applicant is a corporation. A certified copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| b. Applicant is a limited liability company. A certified copy of its articles of organization and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant is a limited partnership. A certified copy of its limited partnership agreement and all amendments thereto are attached to this application or were filed with the Public Service Commission in Case No. _____.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| d. Applicant is a sole proprietorship or partnership.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| e. Applicant is a water district organized pursuant to KRS Chapter 74.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| f. Applicant is a water association organized pursuant to KRS Chapter 273.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b>  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b>   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant has more than 20 customers, is not a sewer utility, and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. <b>(Attach a copy of customer notice.)</b> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." <b>(Attach completed "Reasons for Application" Attachment.)</b>   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |



- |        |  | YES                                 | NO                                  |
|--------|--|-------------------------------------|-------------------------------------|
| 8.     | Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." <b>(Attach completed "Current and Proposed Rates" Attachment.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 9.     | Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, <u>2011</u> .  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 10.    | Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." <b>(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)</b> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 11.    | Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ <u>238,651</u> and total revenues from service rates of \$ <u>1,103,288</u> . The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. <b>(Attach a completed "Revenue Requirement Calculation" Attachment.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 12.    | As of the <b>date of the filing of this application</b> , Applicant had <u>2,082</u> customers.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 13.    | A billing analysis of Applicant's current and proposed rates is attached to this application. <b>(Attach a completed "Billing Analysis" Attachment.)</b>   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 14.    | Applicant's depreciation schedule of utility plant in service is attached. <b>(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)</b>  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| 15. a. | Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b.     | Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| c.     | Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |

- |   | YES                                 | NO                                  |
|---|-------------------------------------|-------------------------------------|
| 16. a. Applicant is not required to file state and federal tax returns.   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| b. Applicant is required to file state and federal tax returns.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| c. Applicant's most recent state and federal tax returns are attached to this Application.<br><b>(Attach a copy of returns.)</b>  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 17. Approximately <u>0</u> <b>(Insert dollar amount or percentage of total utility plant)</b> of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed Wayne Jonaker  
 Officer of the Company/Authorized Representative

Title Manager

Date March 8, 2013

COMMONWEALTH OF KENTUCKY

COUNTY OF PENDLETON

Before me appeared Wayne Jonaker, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

Paul S. Fitch

Notary Public

My commission expires: Aug 8 - 2016

I.D. 472226

LIST OF ATTACHMENTS  
(Indicate all documents submitted by checking box)

- Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- All amendments to Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- "Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- "Billing Analysis" Attachment
- Depreciation Schedule
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return

**APPLICANT'S ARTICLES OF ORGANIZATION**

PENDLETON COUNTY COURT

FEBRUARY TERM, FEBRUARY 22nd., 1965

COURT MET PURSUANT TO ADJOURNMENT

with

HON. JACK DICKISON, JUDGE, Presiding.

O R D E R

In Re: CREATION OF THE EAST PENDLETON WATER DISTRICT  
FOR

THE PURPOSE OF WATER AND GAS SUPPLY.

A petition having been filed in this matter signed by seventy-five or more resident free-holders of a proposed water district in this County as set out therein as to be established, and for the appointment of water commissioners for the purpose of furnishing a water and gas supply to the citizens of said proposed district of this County as described therein, and public notice of same having been published in three (3) issues of the Falmouth Outlook, Falmouth, Kentucky, a weekly paper of general circulation of this County, and after thirty (30) days from the publication of said notice no residents of said proposed district having filed exceptions, and said case set for a hearing on said petition within ten (10) days after publication, that it appears to the Court that the establishment of such district is reasonably necessary for the public health, convenience, fire protection and comfort of the residents of said proposed district, and the Court being sufficiently advised, it is considered and adjudged so

  O  R  D  E  R  E  D  

The name of the Water District formed for the purpose of supplying a Gas and Water Supply System shall be designated as THE EAST PENDLETON WATER DISTRICT and its territory described as:

All that land in Pendleton County, Kentucky lying East of the Licking River and its South Fork and a line one-half mile East of U. S. Highway No. 27 extending North to the Campbell County line and South through the intersection of KY Highway No. 609 and the Flour Creek Road to the Licking River.

There is excluded from this area all that land within the present City Limits of Falmouth, Kentucky, and all that land presently within the Falmouth Lake State Park.

Granted this 22 day of February, 1965.

/s/ Jack Dickison  
Jack Dickison, Judge  
Pendleton County Court.

In Re: APPOINTING THREE (3) WATER DISTRICT COMMISSIONERS -  
THE EAST PENDLETON WATER DISTRICT.

An Order having been entered in this matter creating the EAST PENDLETON WATER DISTRICT pursuant to KRS 74.010, now therefore, under KRS 74.020, and the Court being sufficiently advised, the following persons, residents of said Water District are appointed by the Court, viz:

1. CARL E. NORRIS (Term - 4 years) residing at Rt. #1, Butler, Kentucky.
2. JOHN BEYERSDSERFER (Term - 3 years) residing at Rt. # 1, Foster, Kentucky.
3. LESLIE HERBST - (Term - 2 years) residing at Rt. #1, Butler, Kentucky.

Each Commissioner shall execute a bond, to be approved by the Court, and shall be sworn to faithfully perform the duties of his position.

Granted this 22nd. day February, 1965.

/s/ Jack Dickison  
Jack Dickison, Judge  
Pendleton County Court

STATE OF KENTUCKY )  
                          )   Sct.  
PENDLETON COUNTY: )

I, R. A. THOMPSON, Clerk of the County Court for the County aforesaid, do certify that the foregoing ORDER CREATING THE EAST PENDLETON WATER DISTRICT FOR THE PURPOSE OF WATER AND GAS SUPPLY and ORDER APPOINTING THREE (3) WATER DISTRICT COMMISSIONERS FOR THE EAST PENDLETON WATER DISTRICT are true, correct and complete copies of the Orders that appear to me of record in County Court Order Book No. 31, at page 505, of the Pendleton County Court records, at Falmouth, Kentucky, of which I am the custodian.

GIVEN under my hand and official seal, this 26th. day of September, 1967.

R. A. THOMPSON, CLERK  
Pendleton County Court

(OFFICIAL SEAL)

By: Carol J. Oberman D.C.

**CUSTOMER NOTICE OF PROPOSED RATE ADJUSTMENTS**

**PUBLIC NOTICE OF PROPOSED ADJUSTMENT OF WATER RATES AND CHARGES**

**EAST PENDLETON COUNTY WATER DISTRICT**

**NOTICE**

Notice is hereby given that the East Pendleton County Water District (the District) has filed an application with the Public Service Commission of Kentucky (the PSC) seeking approval of revised water rates. The District plans to implement the proposed rates upon approval of the PSC.

<b>Monthly Rate:</b>	<b><u>Current</u></b>	<b><u>Proposed</u></b>	<b><u>Rate</u></b>
<b>5/8" &amp; 3/4" Meters</b>			
First 1,000 gallons	\$ 17.75	\$ 20.36	Minimum Bill
Next 99,000 gallons	\$ 6.51	\$ 7.83	Per 1,000 gallons
Over 100,000 gallons	\$ 5.55	\$ 6.63	Per 1,000 gallons
<b>1 1/4" Meters</b>			
First 20,000 gallons	\$ 141.44	\$ 165.00	Minimum Bill
Next 80,000 gallons	\$ 6.51	\$ 7.83	Per 1,000 gallons
Over 100,000 gallons	\$ 5.55	\$ 6.83	Per 1,000 gallons
<b>2" &amp; 3" Meters</b>			
First 100,000 gallons	\$ 662.24	\$ 825.00	Minimum Bill
Over 100,000 gallons	\$ 5.55	\$ 7.83	Per 1,000 gallons

<b>Typical Residential Monthly Usage</b>	<b><u>Current Monthly Bill</u></b>	<b><u>Proposed Monthly Bill</u></b>	<b><u>Percent Increase</u></b>
1,000 Gallons	\$ 17.75	\$ 20.36	14.7%
5,000 Gallons	\$ 43.79	\$ 49.07	12.1%
10,000 Gallons	\$ 76.34	\$ 88.22	15.6%
20,000 Gallons	\$ 141.44	\$ 166.52	17.7%
40,000 Gallons	\$ 271.64	\$ 323.12	19.0%
80,000 Gallons	\$ 532.04	\$ 636.32	19.6%
120,000 Gallons	\$ 773.24	\$ 925.52	19.7%

The rates contained in this notice are the rates proposed by the District. However, the PSC may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates included in this notice.

Customers of the District are advised that any corporation, District, public body, or person with a substantial interest in the matter may, and showing grounds for the request, intervene in this filing. Any motion to intervene shall be submitted to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, KY 40602; Attn: Executive Director. (Telephone 502-564-3940) and shall set forth the grounds for the request, including the status and interest of the party intervening and may obtain copies of the rate application and any other filings made by the District by contacting the District at its main office or by telephone (859-654-2100). Any person may examine the rate application and any other filings made by the District at the District's main office located in Falmouth, Kentucky or at the Public Service Commission's office located at 211 Sower Boulevard, Frankfort, KY 40602, telephone 502-564-3940.



**REASON FOR APPLICATION**

**REASONS FOR APPLICATION**

**(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)**

Applicant is applying for a rate increase because our operating income has been declining and has actually been a net operating loss for the last 6 years. To illustrate, we have listed the District's Operating Income/Loss for the past 6 years as reported in our annual PSC Report.

2006	\$( 39,545)
2007	\$( 57,574)
2008	\$( 25,777)
2009	\$( 1,363)
2010	\$( 34,079)
2011	\$(117,756)

**Total Loss: \$( 276,094)**

Although the District has passed on rates increases from our water supplier over the past years, we have not had a general rate increase since March 15, 2004. While the cost of labor and supplies have continued to increase over the years, our rates have remained the same. We have tried to control our expenses but, as you can see, our ability to meet our obligations continues to decline. We feel that a rate increase is the only solution.

**CURRENT AND PROPOSED RATES**

**CURRENT AND PROPOSED RATES**  
**(List Applicant's Current and Proposed Rates)**

**Current Rates**

Monthly Rates 1/1/2013

## 5/8" &amp; 3/4" Meters

First 1,000 gallons	\$17.75 Minimum bill
Next 99,000 gallons	\$6.51 per 1,000 gallons
Over 100,000 gallons	\$5.55 per 1,000 gallons

## 1 1/4" Meters

First 20,000 gallons	\$141.44 Minimum bill
Next 80,000 gallons	\$ 6.51 per 1,000 gallons
Over 100,000 gallons	\$5.55 per 1,000 gallons

## 2" &amp; 3" Meters

First 100,000 gallons	\$662.24 Minimum bill
Over 100,000 gallons	\$5.55 per 1,000 gallons

**Proposed Rate Changes**

Monthly Rates

## 5/8" &amp; 3/4" Meters

First 1,000 gallons	\$20.36 Minimum bill
Next 99,000 gallons	\$7.83 per 1,000 gallons
Over 100,000 gallons	\$6.63 per 1,000 gallons

## 1 1/4" Meters

First 20,000 gallons	\$165.00 Minimum bill
Next 80,000 gallons	\$7.83 per 1,000 gallons
Over 100,000 gallons	\$6.83 per 1,000 gallons

## 2" &amp; 3" Meters

First 100,000 gallons	\$825.00 Minimum bill
Over 100,000 gallons	\$7.83 per 1,000 gallons



Ernie Fletcher  
Governor

LaJuana S. Wilcher  
Secretary

Commonwealth of Kentucky  
**Environmental and Public Protection Cabinet**  
**Public Service Commission**

211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
March 16, 2004

Wayne Lonaker  
Manager  
East Pendleton Water District  
600 Woodson Road  
P.O. Box 29  
Falmouth, KY 41040

CERTIFICATE OF SERVICE

RE: Case No. 2004-00050  
East Pendleton Water District

I, Thomas M. Dorman, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on March 16, 2004.

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", written over a horizontal line.

Executive Director

TD/sa  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT            )  
OF EAST PENDLETON COUNTY                ) CASE NO. 2004-00050  
WATER DISTRICT                            )

O R D E R

On February 17, 2004, East Pendleton County Water District ("East Pendleton") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure. KRS 278.012 and 807 KAR 5:068.

The city of Falmouth ("Falmouth"), a municipal water system, notified East Pendleton that effective with its March 2004 consumption its wholesale water rate would increase from \$1.85 per thousand gallon to \$1.98 per thousand gallon.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. East Pendleton purchases water from Falmouth.
2. Falmouth notified East Pendleton that effective with its March 2004 consumption its wholesale water rate would increase from \$1.85 per thousand gallon to \$1.98 per thousand gallon.
3. During the 12 months ending December 31, 2003, East Pendleton purchased 91,604,400 gallons of water from Falmouth and sold 80,346,820 gallons. The increase in the cost of purchased water is \$11,909, resulting in a purchased water adjustment of \$0.15 per 1,000 gallons. Based on an average monthly usage of 5,000

gallons, a customer's monthly bill will increase \$0.75 from \$43.04 to \$43.79 or 1.71 percent.

4. The purchased water adjustment of \$0.15 per 1,000 gallons is fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment of \$0.15 per 1,000 gallons is fair, just, and reasonable.

2. The retail rates for East Pendleton in Appendix A, attached hereto and incorporated herein, are fair, just, and reasonable and are approved for services rendered on and after March 15, 2004.

3. The proposed tariff sheets filed by East Pendleton are approved as filed.

Done at Frankfort, Kentucky, this 16th day of March, 2004.

By the Commission

ATTEST:

  
Executive Director

Case No. 2004-00050

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2004-00050 DATED March 16, 2004.

The following rates and charges are prescribed for the customers in the area served by East Pendleton County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8" x 3/4" Meters

First	1,000 gallons	\$ 17.75	Minimum bill
Next	99,000 gallons	6.51	per 1,000 gallons
All Over	100,000 gallons	5.55	per 1,000 gallons

1 1/4" Meters

First	20,000 gallons	\$ 141.44	Minimum bill
Next	80,000 gallons	6.51	per 1,000 gallons
All Over	100,000 gallons	5.55	per 1,000 gallons

2" & 3" Meters

First	100,000 gallons	\$ 662.44	Minimum bill
All Over	100,000 gallons	5.55	per 1,000 gallons



For Northeast Portion of Pendleton County  
Community, Town or City

P.S.C. NO. \_\_\_\_\_

REVISED SHEET NO. \_\_\_\_\_

CANCELLING P.S.C. NO. \_\_\_\_\_

ORIGINAL SHEET NO. \_\_\_\_\_

East Pendleton Water District  
Name of Issuing Corporation

CLASSIFICATION OF SERVICE

MONTHLY WATER RATES		RATE PER UNIT
<u>5/8 - 3/4 INCH METER</u>		
FIRST	1,000 GALLONS	\$ 17.60 MINIMUM BILL
NEXT	99,000 GALLONS	6.36 PER 1,000 GALLONS
ALL OVER	100,000 GALLONS	5.40 PER 1,000 GALLONS
<u>1 1/4 INCH METER</u>		
FIRST	20,000 GALLONS	\$ 138.44 MINIMUM BILL
NEXT	80,000 GALLONS	6.36 PER 1,000 GALLONS
ALL OVER	100,000 GALLONS	5.40 PER 1,000 GALLONS
<u>2 - 3 INCH METER</u>		
FIRST	100,000 GALLONS	\$ 647.24 MINIMUM BILL
ALL OVER	100,000 GALLONS	5.40 PER 1,000 GALLONS

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

DATE OF ISSUE 6-28-2001 DATE EFFECTIVE 6-28-2001

ISSUED BY Leslie Hilbert TITLE Chairman

JUN 23 2001

Issued by authority of an Order of the Public Service Commission of Kentucky In Case No. 2001-171 dated 6-28-2001.

PURSUANT TO 807 KAR 5011.  
SECTION 9(1)  
BY Stephan D. Bell  
SECRETARY OF THE COMMISSION

**STATEMENT OF ADJUSTED OPERATIONS**

**SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY**

TYE 12/31/20 11

	Test Year	Adjustment	Ref.	Pro Forma
<b><u>Operating Revenues</u></b>				
Sales of Water				
Unmetered Water Sales				0.00
Metered Water Sales	838,285.00			838,285.00
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
<b>Total Sales of Water</b>	<b>838,285.00</b>	<b>0.00</b>		<b>838,285.00</b>
Other Water Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues	26,352.00	0.00		26,352.00
Rents from Water Property				0.00
Other Water Revenues				0.00
<b>Total Other Water Revenues</b>	<b>26,352.00</b>	<b>0.00</b>		<b>26,352.00</b>
<b>Total Operating Revenues</b>	<b>864,637.00</b>	<b>0.00</b>		<b>864,637.00</b>
<b><u>Operating Expenses</u></b>				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	287,433.00	6,036.00	1	293,469.00
Salaries and Wages - Officers	13,900.00	292.00	1	14,192.00
Employee Pensions and Benefits	103,665.00	2,177.00	1	105,842.00
Purchased Water	207,352.00	4,354.00	1	211,706.00
Purchased Power	33,213.00	697.00	1	33,910.00
Fuel for Power Production				0.00
Chemicals	494.00	10.00	1	504.00
Materials and Supplies	43,801.00	920.00	1	44,721.00
Contractual Services	21,125.00	444.00	1	21,569.00
Water Testing				0.00
Rents				0.00
Transportation Expenses	23,003.00	483.00	1	23,486.00
Insurance	19,670.00	413.00	1	20,083.00
Regulatory Commission Expenses				0.00
Bad Debt Expense				0.00

Miscellaneous Expenses	25,461.00	535.00	1	25,996.00
<b>Total Operation and Maintenance Expenses</b>	<u>779,117.00</u>	<u>16,361.00</u>		<u>795,478.00</u>
Depreciation Expense	177,333.00			177,333.00
Amortization Expense	3,325.00			3,325.00
Taxes Other Than Income	22,618.00			22,618.00
Income Tax Expense				0.00
<b>Total Operating Expenses</b>	<u>982,393.00</u>	<u>16,361.00</u>		<u>998,754.00</u>
<b>Utility Operating Income</b>	<u>-117,756.00</u>	<u>-16,361.00</u>		<u>-134,117.00</u>

References

Note 1) There are no anticipated changes in income, expenses were increased by 2.1% to account for average normal yearly increase. This was calculated using operating expenses in 2006 of \$887,712 compared to operating expenses in 2011 of \$982,393 (average change per year).

## REVENUE REQUIREMENTS CALCULATION

**REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD**

(This method is used commonly by non-profits that have long-term debts outstanding.)

Pro forma Operating Expenses	\$998,754.00
Plus: Average Annual Debt Principal and Interest Payments*	136,519.00
Debt Coverage Requirement**	<u>1.20</u>
Total Revenue Requirement	1,135,274.20
Less: Other Operating Revenue	-21,471.00
Non-operating Revenue	-4,728.00
Interest Income	<u>-5,787.00</u>
Revenue Required from Rates	1,103,288.20
Less: Revenue from Sales at Present Rates	<u>-864,637.00</u>
Required Revenue Increase	<u><u>\$238,651.20</u></u>

Required Revenue Increase stated as a Percentage of Revenue at Present Rates 27.6%

\* This should be a 3 year average calculated using the debt principal and interest payments for the three years following the test year.

\*\* This amount is calculated by multiplying the average annual debt principal and interest payments by the debt service requirement of the utility's lending agency.

## BILLING ANALYSIS



**Revenue from Present Rates**  
**Test Period from 1/1/2011 to 12/31/2011**

**USAGE TABLES**  
Usage by Rate Increment

**Class: Residential (5/8" & 3/4" Meters)**

(1)	(2) <b>Bills</b>	(3) <b>Gallons</b>	(4) <b>&lt;1,000</b>	(5) <b>&lt;100,000</b>	(6) <b>&gt;100,000</b>	(7) <b>Totals</b>
First 1,000	3,344	1,168,887	1,168,887			1,168,887
Next 99,000	18,815	80,774,179	18,815,000	61,959,179		80,774,179
Over 100,000	18	3,746,912	18,000	1,782,000	1,946,912	3,746,912
<b>Totals</b>	<b>22,177</b>	<b>85,689,978</b>	<b>20,001,887</b>	<b>63,741,179</b>	<b>1,946,912</b>	<b>85,689,978</b>

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2) <b>Bills</b>	(3) <b>Gallons</b>	(4) <b>Rates</b>	(5) <b>Revenue</b>	
First 1,000	22,177	20,001,887	\$ 17.75	\$ 393,641.75	
Next 99,000	18,815	63,741,179	\$ 0.00651	\$ 414,955.08	
Over 100,000	18	1,946,912	\$ 0.00555	\$ 10,805.36	
<b>Totals</b>	<b>41,010</b>	<b>85,689,978</b>		<b>\$ 819,402.19</b>	<b>Actual Residential</b>

**Proposed Rates**

**USAGE TABLES**  
Usage by Rate Increment

(1)	(2) <b>Bills</b>	(3) <b>Gallons</b>	(4) <b>&lt;1,000</b>	(5) <b>&lt;100,000</b>	(6) <b>&gt;100,000</b>
First 1,000	3,344	1,168,887	1,168,887		
Next 99,000	18,815	80,774,179	18,815,000	61,959,179	
Over 100,000	18	3,746,912	18,000	1,782,000	1,946,912
<b>Totals</b>	<b>22,177</b>	<b>85,689,978</b>	<b>20,001,887</b>	<b>63,741,179</b>	<b>1,946,912</b>

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2)	(3)	(4) <b>Rates</b>	(5) <b>Revenue</b>	
First 1,000	22,177	20,001,887	\$ 20.36	\$ 451,523.72	
Next 99,000	18,815	63,741,179	\$ 0.00783	\$ 499,093.43	
Over 100,000	18	1,946,912	\$ 0.00683	\$ 13,297.41	
<b>Totals</b>	<b>41,010</b>	<b>85,689,978</b>		<b>\$ 963,914.56</b>	<b>Proposed Residential</b>

**Revenue from Present Rates**  
**Test Period from 1/1/2011 to 12/31/2011**

**USAGE TABLES**  
Usage by Rate Increment

**Class: Commercial (1 1/4" Meters and 5/8" & 3/4" Meters)**

(1) (1 1/4")	(2) Bills	(3) Gallons	(4) <1,000	(5) <20,000	(6) <80000	(7) <100,000
First 20,000	-	-				
Next 60,000	18	563,471		360,000	203,471	
<b>(5/8" &amp; 3/4")</b>						
First 1,000	26	7,922	7,922			-
Next 99,000	43	277,056	43,000	-	-	234,056
<b>Totals</b>	<b>87</b>	<b>848,449</b>	<b>50,922</b>	<b>360,000</b>	<b>203,471</b>	<b>234,056</b>

**REVENUE TABLE**  
Revenue by Rate Increment

(1) (1 1/4")	(2)	(3)	(4) Rates	(5) Revenue	
First 20,000	18	360,000	\$ 141.44	\$ 2,545.92	
Next 60,000	18	203,471	\$ 0.00651	\$ 1,324.60	
<b>(5/8" &amp; 3/4")</b>					
First 1,000	69	50,922	\$ 17.75	\$ 1,224.75	
Next 99,000	43	234,056	\$ 0.00651	\$ 1,523.70	
<b>Totals</b>	<b>148</b>	<b>848,449</b>		<b>\$ 6,618.97</b>	<b>Actual Commercial</b>

**Proposed Rates**

**USAGE TABLES**  
Usage by Rate Increment

(1) (1 1/4")	(2) Bills	(3) Gallons	(4) <1,000	(5) <20,000	(6) <80000	(7) <100,000
First 20,000	-	-				
Next 60,000	18	563,471		360,000	203,471	
<b>(5/8" &amp; 3/4")</b>						
First 1,000	26	7,922	7,922			-
Next 99,000	43	277,056	43,000	-	-	234,056
<b>Totals</b>	<b>87</b>	<b>848,449</b>	<b>50,922</b>	<b>360,000</b>	<b>203,471</b>	<b>234,056</b>

**REVENUE TABLE**  
Revenue by Rate Increment

(1) (1 1/4")	(2)	(3)	(4) Rates	(5) Revenue	
First 20,000	18	360,000	\$ 165.00	\$ 2,970.00	
Next 60,000	18	203,471	\$ 0.00783	\$ 1,593.18	
<b>(5/8" &amp; 3/4")</b>					
First 1,000	69	50,922	\$ 20.36	\$ 1,404.84	
Next 99,000	43	234,056	\$ 0.00783	\$ 1,832.66	
<b>Totals</b>	<b>148</b>	<b>848,449</b>		<b>\$ 7,800.68</b>	<b>Proposed Commercial</b>

**Revenue from Present Rates**  
**Test Period from 1/1/2011 to 12/31/2011**

**USAGE TABLES**  
Usage by Rate Increment

<b>Class:</b>	<u><b>Industrial (2" &amp; 3" Meters)</b></u>			
(1)	(2)	(3)	(4)	(5)
	<b>Bills</b>	<b>Gallons</b>	<b>&lt;100,000</b>	<b>&gt;100,000</b>
First 100,000	-	-	-	-
>100,000	12	4,338,300	1,200,000	3,138,300
<b>Totals</b>	<b>12</b>	<b>4,338,300</b>	<b>1,200,000</b>	<b>3,138,300</b>

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2)	(3)	(4)	(5)	
			<b>Rates</b>	<b>Revenue</b>	
First 100,000	12	1,200,000	\$ 662.24	\$ 7,946.88	
>100,000	12	3,138,300	\$ 0.00555	\$ 17,417.57	
<b>Totals</b>	<b>24</b>	<b>4,338,300</b>		<b>\$ 25,364.45</b>	<b>Actual Industrial</b>

**Proposed Rates**

**USAGE TABLES**  
Usage by Rate Increment

(1)	(2)	(3)	(4)	(5)
	<b>Bills</b>	<b>Gallons</b>	<b>&lt;100,000</b>	<b>&gt;100,000</b>
First 100,000	-	-	-	-
>100,000	12	4,338,300	1,200,000	3,138,300
<b>Totals</b>	<b>12</b>	<b>4,338,300</b>	<b>1,200,000</b>	<b>3,138,300</b>

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2)	(3)	(4)	(5)	
			<b>Rates</b>	<b>Revenue</b>	
First 100,000	12	1,200,000	\$ 825.00	\$ 9,900.00	
>100,000	12	3,138,300	\$ 0.00783	\$ 24,572.89	
<b>Totals</b>	<b>24</b>	<b>4,338,300</b>		<b>\$ 34,472.89</b>	<b>Proposed Industrial</b>

## DEPRECIATION SCHEDULE

East Pendleton County Water District  
 Depreciation Schedule  
 December 31, 2011

ACCT / DESCRIPTION	DATE IN SERVICE	NEW ASSET LIFE	COST	Deprec. Expense 2009	Accum. Deprec. 12/31/2009	Deprec. Expense 2010	Accum. Deprec. 12/31/2010	Deprec. Expense 2011	Accum. Deprec. 12/31/2011
<b>WATER ASSETS</b>									
<b>ACCOUNT 301</b>									
ORGANIZATION	1/1/1973	N/A	7,200						
<b>ACCOUNT 323</b>									
OTHER POWER EQUIP	12/31/1991	N/A	2,500		2,500		2,500		2,500
<b>ACCOUNT 325</b>									
PUMPING	1/1/1973		19,458		19,458		19,458		19,458
PUMPING	1/1/1973		1,078		1,078		1,078		1,078
PUMP REPAIRS	6/6/2007	20	1,317	66	263	66	329	66	395
PUMP REPAIRS	12/31/2007	20	1,976	99	395	99	494	99	593
NEW PUMP # 3	4/16/2007	20	2,215	111	443	111	554	111	665
PUMP METER	7/8/2008	20	2,822	141	282	141	423	141	564
15 HP PUMP	1/16/2009	20	1,865	93	93	93	186	93	280
NEWPUMP #1	3/19/2009	20	2,894	145	145	145	290	145	434
NEW MOTOR #2	2/11/2011	20	2,300					115	115
NEW MOTOR #1	8/15/2011	20	2,877					144	144
			38,802	654	22,158	655	22,813	913	23,726
<b>ACCOUNT 328</b>									
OTHER PUMPING	1/1/1973	N/A	549		549		549		549
OTHER PUMPING	1/1/1984	N/A	563		563		563		563
OTHER PUMPING	1/1/1993	N/A	630		347		347		347
Generator	12/31/2004	15	11,745	783	4,698	783	5,481	783	6,264
			13,487	783	6,157	783	6,940	783	7,723
<b>ACCOUNT 331</b>									
LAND	1/1/1973	N/A	3,000		-		-		-
SYSTEM MODIFICATIONS	1/1/1992	N/A	3,884		3,884		3,884		3,884
BLDG IMPROVEMENTS	12/15/1994	N/A	2,930		2,930		2,930		2,930
Division III	1/1/1998	N/A	22,250		22,250		22,250		22,250
			32,064	-	29,064	-	29,064	-	29,064
<b>ACCOUNT 332</b>									
TREATMENT EQUIP	1/1/1973	N/A	66		66		66		66
TREATMENT EQUIP	1/1/1986	N/A	222		222		222		222
TREATMENT EQUIP	1/1/1988	N/A	232		232		232		232
			520	-	520	-	520	-	520
<b>ACCOUNT 333</b>									
FLOOD REPAIRS	12/31/1997	50	217,100	4,342	115,063	4,342	119,405	4,342	123,747
FLOOD REPAIRS	12/31/1998	50	2,600	52	1,378	52	1,430	52	1,482
RIVER REPAIR	3/23/2007	50	5,416	108	385	108	493	108	601
			225,116	4,502	116,826	4,502	121,328	4,502	125,830
<b>ACCOUNT 340</b>									
LAND & LAND RIGHTS	1/1/1973	N/A	3,757						
EASEMENTS	1/1/1989	N/A	5,400						
LAND & LAND RIGHTS	12/31/2002	N/A	5,000						
			14,157	-	-	-	-	-	-

**ACCOUNT 342**

DISTROBUTION RESER	1/1/1973	40	51,888	1,297	46,696	1,297	47,993	1,297	49,290
DISTROBUTION RESER	1/1/1973	40	7,773	194	6,020	194	6,215	194	6,409
DISTRIBUTION RESERVE	6/20/1994	40	6,222	156	2,489	156	2,644	156	2,800
			<b>65,882</b>	<b>1,647</b>	<b>55,205</b>	<b>1,647</b>	<b>56,852</b>	<b>1,647</b>	<b>58,499</b>

**ACCOUNT 343**

TRANSMISSION RESER	1/1/1973	40	538,339	13,458	484,497	13,458	497,956	13,458	511,414
TRANSMISSION RESER	1/1/1973	50	55,203	1,104	42,229	1,104	43,333	1,104	44,437
TRANSMISSION RESER	1/1/1984	50	4,185	84	2,680	84	2,764	84	2,848
TRANSMISSION RESER	1/1/1985	50	49,636	993	30,527	993	31,519	993	32,512
TRANSMISSION RESER	1/1/1986	50	33,239	665	22,104	665	22,769	665	23,434
TRANSMISSION RESER	1/1/1987	50	28,995	580	16,383	580	16,962	580	17,542
TRANSMISSION RESER	1/1/1988	50	10,717	214	5,787	214	6,002	214	6,216
NEW CONSTRUCTION	1/1/1991	40	774,100	19,353	367,698	19,353	387,050	19,353	406,403
NEW CONSTRUCTION	1/1/1991	50	35,687	714	16,594	714	17,308	714	18,022
NEW CONSTRUCTION	12/31/1992	50	21,000	420	8,715	420	9,135	420	9,555
NEW CONSTRUCTION	12/31/1995	50	178,008	3,560	64,973	3,560	68,533	3,560	72,093
			<b>1,729,107</b>	<b>41,144</b>	<b>1,062,187</b>	<b>41,144</b>	<b>1,103,332</b>	<b>41,144</b>	<b>1,144,476</b>

**ACCOUNT 345**

SERVICE	1/1/1973		55,100		55,100		55,100		55,100
SERVICE	1/1/1984		8,682		8,682		8,682		8,682
SERVICE	1/1/1985		8,924		8,924		8,924		8,924
SERVICE	1/1/1986		9,009		9,009		9,009		9,009
SERVICE	1/1/1987		5,567		5,567		5,567		5,567
SERVICE	1/1/1987		8,053		8,053		8,053		8,053
			<b>95,335</b>	<b>-</b>	<b>95,335</b>	<b>-</b>	<b>95,335</b>	<b>-</b>	<b>95,335</b>

**ACCOUNT 346**

METERS	1/1/1973		32,430		32,430		32,430		32,430
METERS	1/1/1973		4,677		4,677		4,677		4,677
METERS	1/1/1984		643		643		643		643
METERS	1/1/1985		1,172		1,172		1,172		1,172
METERS	1/1/1986		1,387		1,387		1,387		1,387
METERS	1/1/1987		1,788		1,788		1,788		1,788
METERS	1/1/1988		300		300		300		300
METERS	1/1/1992		420		420		420		420
METERS	12/31/1992		1,437		1,437		1,437		1,437
METERS	12/31/1993		1,538		1,538		1,538		1,538
METERS	6/10/1994		775		775		775		775
METERS	7/10/1994		779		779		779		779
METERS	12/31/1996		11,394		11,394		11,394		11,394
METERS-Transfer Div II	4/1/1994		1,749		1,749		1,749		1,749
2006 METERS	6/30/2006	35	85,653	2,447	29,367	2,447	31,814	2,447	34,261
2007 METERS	6/30/2007	35	2,962	85	465	85	550	85	635
2008 METERS	6/15/2008	35	3,802	109	217	109	326	109	435
METERS	3/21/2009	35	2,260	65	65	65	130	65	195
IMPELLER METER	3/15/2010	35	1,027				29	29	58
METERS	12/31/2011	35	1,420					41	41
			<b>157,613</b>	<b>2,705</b>	<b>90,603</b>	<b>2,706</b>	<b>93,338</b>	<b>2,776</b>	<b>96,114</b>

**ACCOUNT 347**

METER INSTALLATION	1/1/1973		3,243		3,243		3,243		3,243
METER INSTALLATION	1/1/1973		2,735		2,735		2,735		2,735
METER INSTALLATION	1/1/1986		606		606		606		606
METER INSTALLATION	1/1/1992		2,408		2,408		2,408		2,408
METER INSTALLATION	12/31/1992		274		274		274		274
METER INSTALLATION	7/13/1994		150		150		150		150
METER INSTALLATION	12/31/1996		2,170		2,170		2,170		2,170
METER INSTALLATION	12/31/2007	40	32,021	801	4,803	801	5,604	801	6,405
			<b>43,607</b>	<b>801</b>	<b>16,390</b>	<b>801</b>	<b>17,191</b>	<b>801</b>	<b>17,991</b>

**ACCOUNT 348**

HYDRANT	1/1/1973	40	3,243	81	2,917	81	2,998	81	3,079
HYDRANT	1/1/1973	40	2,776	69	2,492	69	2,561	69	2,630
			<b>6,019</b>	<b>150</b>	<b>5,410</b>	<b>150</b>	<b>5,560</b>	<b>150</b>	<b>5,710</b>

**ACCOUNT 349**

OTHER TRANSMISSION	1/1/1973		846		846		846		846
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**ACCOUNT 389**

LAND	11/1/1988		2,000						
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**ACCOUNT 390**

NEW BUILDING	9/30/2001	35	37,000	1,057	15,064	1,057	16,121	1,057	17,178
NEW BUILDING	11/31/01	35	18,500	529	7,532	529	8,061	529	8,590
STRUCTURE IMPROV	12/31/2002	35	2,852	81	1,874	81	1,956	81	2,037
NEW BUILDING	12/31/2002	35	24,098	689	8,606	689	9,295	689	9,984
NEW BUILDING	12/31/2002	35	12,600	360	4,500	360	4,860	360	5,220
STRUCTURE IMPROV	12/31/2003	35	1,786,913	51,055	548,838	51,055	599,892	51,055	650,947
STRUCTURE IMPROV	12/31/2003	35	2,035	58	1,134	58	1,192	58	1,250
269 Project	9/1/2005	50	169,835	3,397	16,347	3,397	19,743	3,397	23,140
LIBERTY RIDGE PROJECT	10/31/2006	50	787,786	15,756	70,901	15,756	86,656	15,756	102,412
BAYNUB HILL RD	1/3/2007	50	35,904	718	3,232	718	3,950	718	4,668
LIBERTY RIDGE EXT.	4/11/2007	50	95,332	1,907	6,197	1,907	8,103	1,907	10,010
MONOHON ROAD	8/14/2007	50	1,446	29	58	29	140	29	169
TAYLOR JONES RD	7/2/2008	50	4,094	82	164	82	246	82	328
ROAD BORE ON 159	7/14/2008	50	8,267	165	331	165	496	165	661
MCKINNEYSBURG PROJECT	7/6/2009	50	296,971	5,938	5,938	5,938	11,877	5,938	17,815
HICKORY GROVE RD DESIGN	7/6/2010	50	1,000			20	20	20	40
HICKORY GROVE RD	7/7/2010	50	16,221			324	324	324	649
Stimulus Waterline Extension	7/30/2010	50	455,977			9,120	9,120	9,120	18,239
BUILDING ADDITION DOOR	9/8/2011	35	912					26	26
BUILDING ADDITION	6/8/2011	35	12,640					361	361
LINE REPAIR	12/5/2011	35	34,208					977	977
			<b>3,804,591</b>	<b>81,820</b>	<b>690,715</b>	<b>91,284</b>	<b>782,052</b>	<b>92,650</b>	<b>874,702</b>

**ACCOUNT 391**

OFFICE FURNITURE	1/1/1973	20		105		105		105		105
OFFICE FURNITURE	1/1/1989	20		166		166		166		166
OFFICE FURNITURE	1/1/1989	20		170		170		170		170
OFFICE FURNITURE	12/31/1990	20		1,199		1,199		1,199		1,199
COMPUTER SYSTEM	12/31/1994	20		2,274		2,274		2,274		2,274
OFFICE FURNITURE	12/31/1994	20		1,819		1,819		1,819		1,819
COMPUTER SYSTEM	12/31/1994	20		2,240		2,240		2,240		2,240
OFFICE REMODLING	12/31/1994	20		4,902		4,902		4,902		4,902
TELEMETRY COMPUTER	12/31/1997	20		6,172		6,172		6,172		6,172
COMPUTER SYSTEM	12/31/1998	20		9,449	472	8,504	472	8,976	472	9,448
COMPUTER SYSTEM	12/31/2002	20		2,082		2,082		2,082		2,082
OFFICE FURNITURE	12/31/2002	20		2,444		2,444		2,444		2,444
COMPUTER SYSTEM	12/31/2004	20		1,566	78	1,410	78	1,488	78	1,566
COMPUTER SYSTEM	4/3/2007	20		1,130	57	339	57	396	57	453
COMPUTER MONITOR	9/28/2007	20		50	3	15	3	18	3	21
BLUETOOTH ANTENNA SYSTEM		10		589	59	177	59	236	59	295
COMPUTER SYSTEM	2/25/2008	20		789	39	79	39	118	39	157
TYPEWRITER	6/10/2008	20		389	19	39	19	58	19	77
FILE CABINET	9/24/2009	20		290	15	15	15	29	15	44
COMPUTER	2/10/2011	20		700					35	35
				<b>38,525</b>	<b>742</b>	<b>34,149</b>	<b>742</b>	<b>34,890</b>	<b>777</b>	<b>35,668</b>

**ACCOUNT 392**

TRANSPORTATION EQ	1/1/1989			3,309		3,309		3,309		3,309
TRANSPORTATION EQ	12/31/1990			2,500		2,500		2,500		2,500
TRANSPORTATION EQ	8/31/1994			193		193		193		193
DUMPTRUCK	11/30/2001			7,000		7,000		7,000		7,000
**Adjust basis '92 S-10	ADJUSTMENT			(12,307)		(12,307)		(12,307)		(12,307)
Trailer	12/31/2002			5,000		5,000		5,000		5,000
2005 Ford F150	12/31/2004	7		16,974	2,425	16,974	-	16,974		16,974
2006 CHEVY 1500	1/13/2006	7		16,870	2,410	11,568	2,410	13,978	2,410	16,388
2006 FORD F350-WHITE	5/31/2006	7		26,356	3,765	18,073	3,765	21,838	3,765	25,603
1994 INTERNATIONAL	7/7/2006	7		9,500	1,357	6,514	1,357	7,871	1,357	9,228
2009 F-150 TRUCK	11/20/2008	7		25,211	3,602	7,203	3,602	10,805	3,602	14,407
2009 RANGER TRUCK	11/20/2008	7		15,473	2,210	4,421	2,210	6,631	2,210	8,841
2001 DUMP TRUCK	8/2/2011	7		10,000					1,429	1,429
				<b>126,079</b>	<b>15,769</b>	<b>70,448</b>	<b>13,344</b>	<b>83,792</b>	<b>14,773</b>	<b>98,565</b>

**ACCOUNT 394**

TOOLS EQUIPMENT	12/31/1990			745		745		745		745
TOOLS EQUIPMENT	12/31/1992			85		85		85		85
TOOLS EQUIPMENT	12/31/1993			198		198		198		198
TOOLS EQUIPMENT	12/31/1994			107		107		107		107
BLACKTOP OFFICE	12/31/1997			3,900		3,900		3,900		3,900
Division III	1/1/1998			924		924		924		924
VALVE EXERCISER	9/28/2007	15		2,803	187	654	187	841	187	1,028
SHOP TOOLS	8/3/2008	15		764	51	102	51	153	51	204
AIR COMPRESSOR	8/11/2008	15		2,296	153	306	153	459	153	612
METROTECH LINE TRACER	4/30/2009	15		2,431	162	162	162	324	162	486
GENERATOR	6/30/2009	15		500	33	33	33	67	33	100
				<b>14,752</b>	<b>586</b>	<b>7,216</b>	<b>586</b>	<b>7,802</b>	<b>586</b>	<b>8,388</b>

**ACCOUNT 395**

Prop., Plant & Equipment	4/1/1994	20		12,592	630	9,802	630	10,432	630	11,062
Additions	12/31/1996	20		4,048	202	2,631	202	2,833	202	3,036
New Orion Meters & System	12/31/2004	10		38,955	3,896	23,373	3,896	27,269	3,896	31,164
Orion Radio Read Meters	12/31/2005	10		36,887	3,689	17,917	3,689	21,605	3,689	25,294
Orion TRANSPONDERS	12/31/2007	10		6,384	638	1,702	638	2,341	638	2,979
TRANSPONDERS	12/31/2008	10		6,890	689	1,378	689	2,067	689	2,756
ORION RECIEVER	1/27/2010	10		925			93	93	93	185
TRANSPONDERS	12/31/2011	10		4,985					499	499
				<b>111,666</b>	<b>9,744</b>	<b>56,803</b>	<b>9,836</b>	<b>66,639</b>	<b>10,335</b>	<b>76,974</b>



**ACCOUNT 396**

EQUIPMENT BACK	1/1/1993		30,800		30,800		30,800		30,800
Division III	1/1/1998		6,389		6,389		6,389		6,389
Power Oper. Equip - Div II	6/30/1994		1,929		1,929		1,929		1,929
CATEPILLER 246 BOBCAT	2/1/2008	10	43,766	4,377	8,753	4,377	13,130	4,377	17,506
TRENCHER ATTACHMENT	2/20/2008	10	2,000	200	400	200	600	200	800
CATEPILLER TRACKS	7/7/2008	10	2,550	255	510	255	765	255	1,020
			<b>87,433</b>	<b>4,832</b>	<b>48,781</b>	<b>4,832</b>	<b>53,613</b>	<b>4,832</b>	<b>58,444</b>

**ACCOUNT 397**

COMMUNICATION EQUIP	12/31/1991		6,577		6,577		6,577		6,577
COMMUNICATION EQUIP	1/1/1992		362		362		362		362
COMMUNICATION EQUIP	1/1/1994		683		683		683		683
TELEMETRY SYSTEM	12/31/2000	7	61,257	8,751	60,381	875	61,256		61,256
TELEMETRY RADIO	8/3/2011	7	601					86	86
			<b>69,479</b>	<b>8,751</b>	<b>68,003</b>	<b>875</b>	<b>68,878</b>	<b>86</b>	<b>68,964</b>

**ACCOUNT 398**

MISCELLANEOUS	1/1/1973		252		252		252		252
MISCELLANEOUS	1/1/1987		227		227		227		227
MISCELLANEOUS	6/30/2003		200		200		200		200
KAUFMAN TRAILER	2/7/2008	7	3,930	561	1,123	561	1,684	561	2,245
			<b>4,609</b>	<b>561</b>	<b>1,801</b>	<b>561</b>	<b>2,363</b>	<b>561</b>	<b>2,924</b>

<b>6,691,391</b>	<b>175,192</b>	<b>2,481,116</b>	<b>174,448</b>	<b>2,655,647</b>	<b>177,315</b>	<b>2,832,963</b>
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**OUTSTANDING DEBT INSTRUMENTS**

EAST PENDLETON COUNTY WATER DISTRICT

1998 KIA Loan (\$155,000)						
		PY Balance	Principle	Interest	Payment	YE Balance
2011						\$ 80,000
2012	5.250%	80,000	12,500	3,828	16,328	67,500
2013	5.250%	67,500	15,000	3,186	18,186	52,500
2014	4.000%	52,500	15,000	2,400	17,400	37,500
2015	4.125%	37,500	15,000	1,704	16,704	22,500
2016	5.250%	22,500	15,000	1,098	16,098	7,500
2017	5.250%	7,500	7,500	396	7,896	(0)

80,000	12,612	92,612
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# Peck, Shaffer & Williams LLP

*Attorneys At Law*

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888-431-7511  
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CINCINNATI, OHIO 45202  
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800-927-2663  
FAX: 513-621-3813

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88 EAST BROAD STREET  
COLUMBUS, OHIO 43215  
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888-900-5205  
FAX: 614-224-0069

LOUISVILLE OFFICE  
SUITE 1115  
239 SOUTH FIFTH STREET  
LOUISVILLE, KENTUCKY 40202  
502-561-0054  
FAX: 502-561-0058

April 16, 1998

Mr. Roscoe Antrobus,  
Manager  
East Pendleton County Water District  
600 Woodson Road  
Falmouth, Kentucky 41040

RE: \$3,240,000 Kentucky Infrastructure Authority Governmental Agencies Program Revenue  
and Revenue Refunding Bonds, 1998 Series I; Loan Number C97-01

Dear Mr. Antrobus:

In connection with the above captioned issue, a portion of the proceeds of which are to be used to finance on a permanent basis the Fund C Loan which is the subject of an assistance agreement between the Kentucky Infrastructure Authority and the East Pendleton County Water District, please find five copies of the following closing documents in connection with the above-captioned issue and the loan to you which require your execution and should be returned to us prior to **April 28, 1998**:

1. General Closing Certificate of Governmental Agency;
2. Form 8038G; and
3. Exhibit F to Assistance Agreement (incorporating final payment schedule).

Please retain one copy of Exhibit F for your files and return the remaining documents to us. If you have any questions with regard to the enclosed documents, please do not hesitate to call.

Very truly yours,

Peck, Shaffer & Williams LLP

  
Dirk M. Bedarff

DMB:mmw  
encl.  
cc: Mr. John Covington

Kentucky Infrastructure Authority

MONTHLY PAYMENT SCHEDULE

East Pendleton Water District  
C97-01

Loan Amount 155,000.00

Payment Date	Principal	Coupon	Interest	Debt Service	Service Fee	Surplus Fund	Net Total Payment	Principal Balance Remaining
9/1/2004 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	154,000.00
10/1/2004 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	153,000.00
11/1/2004 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	152,000.00
12/1/2004 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	151,000.00
1/1/2005 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	150,000.00
2/1/2005 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	149,000.00
3/1/2005 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	148,000.00
4/1/2005 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	147,000.00
5/1/2005 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	146,000.00
6/1/2005 ✓	1,000.00	3.000%	621.56	1,621.56	31.00	0.00	1,652.56	145,000.00
7/1/2005 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	144,166.67
8/1/2005 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	143,333.33
9/1/2005 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	142,500.00
10/1/2005 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	141,666.67
11/1/2005 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	140,833.33
12/1/2005 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	140,000.00
1/1/2006 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	139,166.67
2/1/2006 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	138,333.33
3/1/2006 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	137,500.00
4/1/2006 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	136,666.67
5/1/2006 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	135,833.33
6/1/2006 ✓	833.33	2.250%	490.11	1,323.44	24.17	0.00	1,347.61	135,000.00
7/1/2006 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	134,166.67
8/1/2006 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	133,333.33
9/1/2006 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	132,500.00
10/1/2006 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	131,666.67
11/1/2006 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	130,833.33
12/1/2006 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	130,000.00
1/1/2007 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	129,166.67
2/1/2007 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	128,333.33
3/1/2007 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	127,500.00
4/1/2007 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	126,666.67
5/1/2007 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	125,833.33
6/1/2007 ✓	833.33	2.500%	471.36	1,304.69	22.50	0.00	1,327.19	125,000.00
7/1/2007 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	124,166.67
8/1/2007 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	123,333.33
9/1/2007 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	122,500.00
10/1/2007 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	121,666.67
11/1/2007 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	120,833.33
12/1/2007 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	120,000.00
1/1/2008 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	119,166.67
2/1/2008 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	118,333.33
3/1/2008 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	117,500.00
4/1/2008 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	116,666.67
5/1/2008 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	115,833.33
6/1/2008 ✓	833.33	3.000%	450.52	1,283.86	20.83	0.00	1,304.69	115,000.00
7/1/2008 ✓	833.33	3.000%	425.52	1,258.66	19.17	0.00	1,278.02	114,166.67
8/1/2008 ✓	833.33	3.000%	425.52	1,258.66	19.17	0.00	1,278.02	113,333.33
9/1/2008 ✓	833.33	3.000%	425.52	1,258.66	19.17	0.00	1,278.02	112,500.00
10/1/2008 ✓	833.33	3.000%	425.52	1,258.66	19.17	0.00	1,278.02	111,666.67
11/1/2008 ✓	833.33	3.000%	425.52	1,258.66	19.17	0.00	1,278.02	110,833.33
12/1/2008 ✓	833.33	3.000%	425.52	1,258.66	19.17	0.00	1,278.02	110,000.00
1/1/2009 ✓	833.33	3.000%	425.52	1,258.66	19.17	0.00	1,278.02	109,166.67
2/1/2009 ✓	833.33	3.000%	425.52	1,258.66	19.17	0.00	1,278.02	108,333.33

Kentucky Infrastructure Authority

MONTHLY PAYMENT SCHEDULE

East Pendleton Water District

C97-01

Loan Amount 155,000.00

Payment Date	Principal	Coupon	Interest	Debt Service	Service Fee	Surplus Fund	Net Total Payment	Principal Balance Remaining
3/1/2009 ✓	833.33	3.000%	425.52	1,258.86	19.17	0.00	1,278.02	107,500.00
4/1/2009 ✓	833.33	3.000%	425.52	1,258.86	19.17	0.00	1,279.02	106,666.67
5/1/2009 ✓	833.33	3.000%	425.52	1,258.86	19.17	0.00	1,278.02	105,833.33
6/1/2009 ✓	833.33	3.000%	425.52	1,258.86	19.17	0.00	1,278.02	105,000.00
7/1/2009 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	104,166.67
8/1/2009 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	103,333.33
9/1/2009 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	102,500.00
10/1/2009 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	101,666.67
11/1/2009 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	100,833.33
12/1/2009 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	100,000.00
1/1/2010 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	99,166.67
2/1/2010 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	98,333.33
3/1/2010 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	97,500.00
4/1/2010 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	96,666.67
5/1/2010 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	95,833.33
6/1/2010 ✓	833.33	3.500%	400.52	1,233.86	17.50	0.00	1,251.36	95,000.00
7/1/2010 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	94,166.67
8/1/2010 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	93,333.33
9/1/2010 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	92,500.00
10/1/2010 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	91,666.67
11/1/2010 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	90,833.33
12/1/2010 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	90,000.00
1/1/2011 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	89,166.67
2/1/2011 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	88,333.33
3/1/2011 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	87,500.00
4/1/2011 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	86,666.67
5/1/2011 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	85,833.33
6/1/2011 ✓	833.33	3.750%	371.36	1,204.69	15.83	0.00	1,220.52	85,000.00
7/1/2011 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	84,166.67
8/1/2011 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	83,333.33
9/1/2011 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	82,500.00
10/1/2011 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	81,666.67
11/1/2011 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	80,833.33
12/1/2011 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	80,000.00
1/1/2012 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	79,166.67
2/1/2012 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	78,333.33
3/1/2012 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	77,500.00
4/1/2012 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	76,666.67
5/1/2012 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	75,833.33
6/1/2012 ✓	833.33	5.000%	340.11	1,173.44	14.17	0.00	1,187.61	75,000.00
7/1/2012 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	73,750.00
8/1/2012 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	72,500.00
9/1/2012 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	71,250.00
10/1/2012 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	70,000.00
11/1/2012 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	68,750.00
12/1/2012 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	67,500.00
1/1/2013 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	66,250.00
2/1/2013 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	65,000.00
3/1/2013 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	63,750.00
4/1/2013 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	62,500.00
5/1/2013 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	61,250.00
6/1/2013 ✓	1,250.00	5.250%	298.44	1,548.44	12.50	45.73	1,515.21	60,000.00
7/1/2013 ✓	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	58,750.00
8/1/2013 ✓	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	57,500.00

**Kentucky Infrastructure Authority**

**MONTHLY PAYMENT SCHEDULE**

East Pendleton Water District

C97-01

Loan Amount 155,000.00

Payment Date	Principal	Coupon	Interest	Debt Service	Service Fee	Surplus Fund	Net Total Payment	Principal Balance Remaining
9/1/2013	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	56,250.00
10/1/2013	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	55,000.00
11/1/2013	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	53,750.00
12/1/2013	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	52,500.00
1/1/2014	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	51,250.00
2/1/2014	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	50,000.00
3/1/2014	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	48,750.00
4/1/2014	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	47,500.00
5/1/2014	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	46,250.00
6/1/2014	1,250.00	5.250%	232.81	1,482.81	10.00	0.00	1,492.81	45,000.00
7/1/2014	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	43,750.00
8/1/2014	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	42,500.00
9/1/2014	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	41,250.00
10/1/2014	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	40,000.00
11/1/2014	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	38,750.00
12/1/2014	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	37,500.00
1/1/2015	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	36,250.00
2/1/2015	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	35,000.00
3/1/2015	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	33,750.00
4/1/2015	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	32,500.00
5/1/2015	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	31,250.00
6/1/2015	1,250.00	4.000%	167.19	1,417.19	7.50	0.00	1,424.69	30,000.00
7/1/2015	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	28,750.00
8/1/2015	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	27,500.00
9/1/2015	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	26,250.00
10/1/2015	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	25,000.00
11/1/2015	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	23,750.00
12/1/2015	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	22,500.00
1/1/2016	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	21,250.00
2/1/2016	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	20,000.00
3/1/2016	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	18,750.00
4/1/2016	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	17,500.00
5/1/2016	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	16,250.00
6/1/2016	1,250.00	4.125%	117.19	1,367.19	5.00	0.00	1,372.19	15,000.00
7/1/2016	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	13,750.00
8/1/2016	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	12,500.00
9/1/2016	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	11,250.00
10/1/2016	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	10,000.00
11/1/2016	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	8,750.00
12/1/2016	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	7,500.00
1/1/2017	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	6,250.00
2/1/2017	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	5,000.00
3/1/2017	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	3,750.00
4/1/2017	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	2,500.00
5/1/2017	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	1,250.00
6/1/2017	1,250.00	5.250%	65.63	1,315.63	2.50	171.35	1,146.77	0.00
<b>TOTAL</b>	<b>155,000.00</b>		<b>52,184.46</b>	<b>207,184.46</b>	<b>2,370.00</b>	<b>2,605.00</b>	<b>206,949.46</b>	

EAST PENDLETON COUNTY WATER DISTRICT

**Bank of New York**  
**1998 Bonds (\$1,015,000)**

		PY Balance	Principle	Interest	Payment	YE Balance
2011						\$ 695,000
2012	5.00%	695,000	35,000	34,250	69,250	660,000
2013	5.10%	660,000	35,000	32,500	67,500	625,000
2014	5.10%	625,000	40,000	30,750	70,750	585,000
2015	5.10%	585,000	40,000	28,750	68,750	545,000
2016	5.20%	545,000	45,000	26,750	71,750	500,000
2017	5.20%	500,000	45,000	24,750	69,750	455,000
2018	5.20%	455,000	50,000	22,500	72,500	405,000
2019	5.25%	405,000	50,000	20,250	70,250	355,000
2020	5.25%	355,000	55,000	17,750	72,750	300,000
2021	5.25%	300,000	55,000	15,250	70,250	245,000
2022	5.30%	245,000	60,000	12,500	72,500	185,000
2023	5.30%	185,000	60,000	9,500	69,500	125,000
2024	5.30%	125,000	60,000	6,500	66,500	65,000
2025	5.30%	65,000	65,000	3,250	68,250	-

<u>695,000</u>	<u>285,250</u>	<u>980,250</u>
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BOND RESOLUTION

EAST PENDLETON WATER DISTRICT

AUTHORIZING

EAST PENDLETON WATER DISTRICT  
WATERWORKS REFUNDING REVENUE BONDS, SERIES 1998

IN THE AMOUNT OF

\$1,015,000

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## BOND RESOLUTION

RESOLUTION OF THE EAST PENDLETON WATER DISTRICT, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,015,000 (PLUS OR MINUS \$100,000) PRINCIPAL AMOUNT OF EAST PENDLETON WATER DISTRICT WATERWORKS REFUNDING REVENUE BONDS, SERIES 1998, DATED AUGUST 1, 1998, FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE REFUNDING OF CERTAIN OUTSTANDING OBLIGATIONS OF THE DISTRICT.

WHEREAS, the waterworks system (the "System") of the East Pendleton Water District of Pendleton County, Kentucky (the "District") is owned and operated by said District pursuant to Chapter 74 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the District has heretofore issued the following revenue bonds:

- (a) East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973, in the original authorized principal amount of \$418,000 (the "Bonds of 1971") authorized by a Resolution adopted by the District on March 20, 1972 (the "1971 Bond Resolution");
- (b) East Pendleton Water District Waterworks Revenue Bonds of 1989, dated June 1, 1995, in the original authorized principal amount of \$900,000 (the "Bonds of 1989") authorized by a Resolution adopted by the District on July 13, 1989 (the "1989 Bond Resolution"); and
- (c) Kentucky Infrastructure Authority Loan in the amount of \$244,589.98 pursuant to an Assistance Agreement dated as of August 1, 1997 (the "KIA Loan").

Hereinafter the Bonds of 1971 are referred to as the "Prior Bonds" and the 1971 Bond Resolution is referred to as the "Prior Bond Resolution";

WHEREAS, the District has determined it is necessary and desirable in the public interest that the District currently refund and retire the outstanding Bonds of 1989 (the "Refunded Bonds"), which may be paid and discharged immediately, in order to effect substantial debt service savings; and to provide funds for such refunding it is now appropriate for the District to cause the sale and issuance of its Waterworks Refunding Revenue Bonds, Series 1998 (the "Current Bonds"), according to the authority of KRS Chapters 58 and 74 and the applicable provisions of the Prior Bond Resolution permitting the issuance of bonds on a parity with the Prior Bonds, which Current Bonds shall be payable as to both principal and interest solely from the income and revenues to be derived from the operation of the System, as extended and improved from time to time, on a parity with the

Prior Bonds, and shall not constitute an indebtedness of the District within the meaning of provisions of the Constitution and statutes of the Commonwealth of Kentucky; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained, or will obtain prior to issuance of the Current Bonds, an order approving the issuance of the Current Bonds; and

WHEREAS, under the provisions of Chapters 58 and 74 of the Kentucky Revised Statutes, the District is authorized to issue the Current Bonds to provide such funds for the purpose aforesaid,

NOW, THEREFORE, BE IT RESOLVED BY THE EAST PENDLETON WATER DISTRICT, AS FOLLOWS:

**ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS;  
SECURITY.**

**Section 101. Definitions.** As used in this Resolution, unless the context requires otherwise:

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

*"Beginning Month"* means the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

*"Bond Counsel"* refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

*"Bondowner"* or *"Owner"* mean and contemplate the registered Owners of the Current Bonds at the time issued and outstanding hereunder.

*"Bonds"* refers to the Current Bonds, the Prior Bonds, and any Parity Bonds issued hereinafter.

*"Bonds of 1971"* refers to the outstanding bonds in the original authorized amount of \$418,000 which were designated as "East Pendleton Water District Waterworks Revenue Bonds of 1971 ", dated March 22, 1973.

*"Bonds of 1989"* refers to the original authorized issue of \$900,000 of bonds designated as "East Pendleton Water District Waterworks Revenue Bonds of 1989", dated June 1, 1995.

*"Bond Registrar"*, *"Transfer Agent"*, or *"Paying Agent"* refers to the bank which shall constitute the Bond Registrar, Transfer Agent and Paying Agent with respect to the Current Bonds, which Paying Agent shall have the duties and responsibilities of (a) issuing semiannual checks in payment of interest requirements as to the Current Bonds, (b) paying the principal (and redemption price, if any) of same at maturity or applicable redemption prior to maturity upon surrender of the Current Bonds, (c) authenticating, issuing and delivering the Current Bonds to the original purchasers of same in accordance with the sale of the Current Bonds, at the direction of the District (d) maintaining the Current Bonds register, and (e) handling exchanges, cancellations, reissuance, redemption and all apparent duties of a Bond Registrar and Transfer Agent with respect to the Current Bonds, as hereinafter set out. The Bond Registrar, Transfer Agent and Paying Agent hereby designated is The Fifth Third Bank, Cincinnati, Ohio, provided, however, it is understood that the District reserves the right to designate a different Federal Deposit Insurance Corporation instrumentality to perform any and all of such functions of Bond Registrar, Transfer Agent and Paying Agent as to the Current Bonds.

*"Bond Resolution of 1971" or "1971 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1971, duly adopted by the Commission of the District on March 20, 1972.

*"Bond Resolution of 1989" or "1989 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1989 duly adopted by the Commission of the District on July 13, 1989.

*"Certified Public Accountants"* refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in affairs of the System and/or of other District financial matters. Until otherwise directed by the governing body of the District, such term shall be deemed to refer to England & Hensley, Lexington, Kentucky.

*"Chairman"* refers to the elected or appointed Chairman or Chairperson of the Commission.

*"Code"* refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

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

*"Current Bond Resolution" or "Resolution"* refers to this Resolution authorizing the Current Bonds.

*"Current Bonds"* refers to the \$1,015,000 (plus or minus \$100,000) of East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998 authorized by this Resolution, dated as of August 1, 1998.

*"Depository Bank"* means a bank to be designated by the District which shall be a member of the FDIC.

*"Depreciation Fund"* refers to the East Pendleton Water District Waterworks Revenue Bond Depreciation Reserve Fund, described in Section 401(E) of this Resolution.

*"District"* refers to the East Pendleton Water District of Pendleton County, Kentucky.

*"Event of Default"* refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

*"FDIC"* refers to the Federal Deposit Insurance Corporation, or its successors.

*"Financial Advisor"* refers to the firm of J.J.B. Hilliard, W.L. Lyons, Inc., Louisville, Kentucky.

"*Fiscal Year*" refers to the annual accounting period of the District, beginning on January 1 and ending on December 31 of each year.

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

"*Government*" means the United States of America, or any agency thereof, including the RD.

"*Independent Consulting Engineer*" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering.

"*Interest Payment Date*" shall mean January 1 and July 1 of each year, commencing January 1, 1999.

"*KIA Loan*" refers to the loan from the Kentucky Infrastructure Authority to the District in the original principal amount of \$244,589.98, pursuant to an Assistance Agreement dated as of August 1, 1997.

"*Operation and Maintenance Fund*" refers to the East Pendleton Water District Waterworks Operation and Maintenance Fund described in Section 401(F) of this Resolution.

"*Outstanding Bonds*" refers to the outstanding Prior Bonds, the Current Bonds, and any additional outstanding Parity Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"*Parity Bonds*" means bonds which may be issued in the future, in addition to the Prior Bonds and the Current Bonds, which Parity Bonds issued in the future will, pursuant to the provisions of this Current Bond Resolution and the Prior Bond Resolution, rank on a basis of parity with said Outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Current Bonds.

"*Permitted Investments*" refers to and includes (a) direct obligations of or obligations guaranteed by the United States of America, including bookkeeping entries; and (b) interest-bearing time deposits or certificates of deposit issued by banks insured by the FDIC and fully secured, to the extent of the amount in excess of the amount insured by the FDIC, by a pledge of direct obligations of, or obligations guaranteed by, the United States of America having a fair market value, exclusive of accrued interest, equal to not less than 100% of such excess amount.

"*Prior Bonds*" refers to the Bonds of 1971.



*"Prior Bond Resolution"* refers to the 1971 Bond Resolution.

*"Purchaser"* means the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

*"RD"* means the Rural Development of the Department of Agriculture of the United States of America.

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

*"Refunded Bonds"* refers to the Bonds of 1989.

*"Refunding Program"* refers to the refinancing and current refunding of the Bonds of 1989.

*"Reserve Amount"* refers to an amount, as of any particular date of computation, equal to the lesser of (i) the maximum annual debt service on the Current Bonds; (ii) 10% of the proceeds of the Current Bonds issued; or (iii) 125% of the average annual principal and interest requirements on the Current Bonds.

*"Reserve Fund"* refers to the East Pendleton Water District Waterworks Debt Service Reserve Fund of 1998, created in Section 401(C) of this Resolution.

*"Revenue Fund"* refers to the East Pendleton Water District Waterworks Revenue Fund, described in Section 401(A) of this Resolution.

*"Secretary"* refers to the elected or appointed Secretary of the Governing Body.

*"Sinking Fund"* refers to the East Pendleton Water District Waterworks Revenue Bond Sinking Fund, described in Section 401(B) of this Resolution.

*"System"* refers to the existing waterworks system of the District, together with all extensions, additions and improvements to said System.

*"Treasurer"* refers to the appointed Treasurer of the District.

*"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.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

**Section 102. Authorization of Bonds.** For the purpose of defraying the costs (not otherwise provided) of the Refunding Program, there are hereby authorized to be presently issued and sold One Million Fifteen Thousand Dollars (\$1,015,000) [plus or minus up to \$100,000] principal amount of East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, dated and bearing interest from August 1, 1998. In order to provide sufficient revenues to undertake the Refunding Program the principal amount of the Current Bonds shall be adjusted upward or downward as deemed necessary by the Governing Body on the date of the sale of the Current Bonds. Said Current Bonds shall mature serially on the first day of January of the respective years, as set out in Exhibit A attached hereto, and shall bear interest payable semiannually on the first days of January and July of each year, beginning on January 1, 1999, at an interest rate or rates and in the maturities to be fixed by Resolution of the Governing Body as a result of the advertised sale of the Bonds.

**Section 103. Recognition of Outstanding Bonds.** The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Outstanding Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Outstanding Bonds and in the documents authorizing such Outstanding Bonds.

**Section 104. Current Bonds Shall be Payable on First Lien Basis Out of Gross Revenues.** The Prior Bonds, the Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely on a first lien basis out of the gross revenues of the System, and shall be a valid claim of the Owners thereof against the Sinking Fund created for the benefit of such owners. The KIA Loan is subordinate to the pledge of the revenues securing the Prior Bonds and the Current Bonds.

**ARTICLE 2. THE BONDS; PRINCIPAL INSTALLMENTS; BOND FORM;  
EXECUTION; PREPAYMENT.**

**Section 201. Principal Installments.** Principal installments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution, adjusted by the Resolution approving the sale of the Current Bonds, and incorporated herein by reference.

**Section 202. Issuance of Current Bonds; Bond Form.** The Purchaser of the Current Bonds at the public sale thereof shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein by reference, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal in installments as set out in **Exhibit A**. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed herein, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), and payable as to principal and interest to the registered Owner.

**Section 203. Place of Payment and Manner of Execution.** The principal of (and redemption price, if any) and interest on the Current Bonds shall be payable in lawful money of the United States of America as they respectively become due, whether at maturity or by prior redemption. Principal of each Current Bond is payable upon surrender of same at the main office of the Paying Agent and Bond Registrar. Interest on the Current Bonds shall be paid by check or draft mailed by the Paying Agent to the Bondowners as of the Record Date, at the respective addresses appearing on the bond register.

So long as any Current Bonds remain outstanding, the Bond Registrar shall keep at its principal office a bond register showing and recording a register of the Owners of the Current Bonds and shall provide for the registration and transfer of Current Bonds in accordance with the terms of this Current Bond Resolution, subject to such reasonable regulations as the Bond Registrar may prescribe.

The Current Bonds shall be executed on behalf of the District with the duly authorized reproduced facsimile signature of the Chairman, and the reproduced facsimile of its corporate seal shall be imprinted thereon and attested by the reproduced facsimile signature of the Secretary; and said officials, by the execution of appropriate certifications, shall adopt as and for their own proper signatures, their respective facsimile signatures on said Current Bonds; provided the Authentication Certificate of Registrar must be executed by the manual signature of the Bond Registrar on each Current Bond before such Current Bond shall be valid.

The Bond Registrar shall have the right to order the preparation of whatever number of Current Bond certificates as, in the sole discretion of the Bond Registrar, shall be deemed necessary in order to enable the Bond Registrar to maintain an adequate reserve supply of such certificates to effect properly the continuing transfers and exchanges of ownership of the Current Bonds as same

are sold, exchanged and/or otherwise surrendered in the future. No further action regarding the authorization or execution of additional certificates shall be required by the Governing Body, the Chairman or the Secretary.

At least 5 business days prior to the delivery of the Current Bonds, the Purchasers shall furnish to the Bond Registrar the name, address, social security number or taxpayer identification number of each party to whom the Current Bonds shall have been resold and in whose name the Current Bonds are to be registered and the principal amounts and maturities thereof. The Bond Registrar shall then issue and deliver to the Purchasers, on the closing date, fully registered Current Bond certificates for each registered owner so designated.

Pending the preparation of printed Current Bonds the District may execute and, upon the District's request, the Bond Registrar shall authenticate and deliver one or more temporary Current Bond which may be printed, lithographed, typewritten, mimeographed or otherwise reproduced, in any denomination, substantially of the tenor of the printed Current Bonds in lieu of which they are delivered, in fully registered form without coupons, and with such appropriate insertions, omissions, substitutions and other appropriate and necessary variations as the officers of the District executing such temporary Current Bonds may determine, as evidenced by their signing such temporary Current Bonds.

All Current Bonds shall be exchangeable and transferable upon the presentation and surrender thereof at the office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, for a Current Bond or Current Bonds of the same maturity and interest rate and in any authorized denomination of \$5,000 and/or a multiple thereof within a single maturity, in an aggregate principal amount or amounts equal to the unpaid principal amount of the Current Bond or Current Bonds presented for exchange. The Bond Registrar shall be and is hereby authorized to (authenticate and) deliver exchange Current Bonds in accordance with the provisions of this Section 203. Each exchange Current Bond delivered in accordance with this Section 203 shall constitute an original contractual obligation of the District and shall be entitled to the benefits and security of this Current Bond Resolution to the same extent as the Current Bond or Current Bonds in lieu of which such exchange Current Bond is delivered.

#### **Section 204. Redemption of Current Bonds.**

##### **(A) Mandatory Sinking Fund Redemption**

If the successful bidder and original purchaser of the Current Bonds so elects in accordance with the provisions of the Official Terms and Conditions of Sale, and as may be provided in the Resolution of the Commission awarding the Current Bonds to such original purchaser, the Current Bonds stated to mature on the maturity dates set out in the successful bid of such original purchaser shall be combined to comprise the maturities of Term Bonds as set out in said successful bid and in said Resolution; and such Term Bonds shall be subject to mandatory redemption in part, at the

selection of the Paying Agent and Bond Registrar by lot in such manner as the Paying Agent and Bond Registrar may determine, from moneys in the Sinking Fund on each applicable January 1 at par plus accrued interest to the redemption date, according to the mandatory sinking fund redemption schedule or schedules set out in said Resolution and in principal amounts corresponding to the above maturity schedule set out in **Exhibit A** hereto.

(B) Optional Redemption

The Current Bonds maturing on and after January 1, 2010, are subject to redemption by the District, at its option, prior to maturity in whole or from time to time in part at any time on or after January 1, 2009, in any order of maturities (less than all of a single maturity to be selected by lot in such manner as the Paying Agent and Bond Registrar may determine) at the redemption prices (expressed as percentages of principal amount) set forth in the table below plus accrued interest to the redemption date:

<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
January 1, 2009, through December 31, 2009	102%
January 1, 2010, through December 31, 2010	101%
January 1, 2011 and thereafter	100%

(C) Other Redemption Provisions

The Paying Agent and Bond Registrar shall, upon being satisfactorily indemnified as to expenses, cause notice of the call for any redemption, identifying the Current Bonds or portions thereof (\$5,000 or any integral multiples thereof) to be redeemed, to be sent by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the Registered Holder of each Current Bond to be redeemed at the address shown on the registration books. Failure to give such notice by mailing or any defect therein in respect of any Current Bond shall not affect the validity of any proceedings for the redemption of any other Current Bond. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, irrespective of whether the Registered Holder receives the notice. The redemption notice shall set forth in detail the redemption provisions.

Prior to the date fixed for redemption of Current Bonds, funds shall be deposited by the District with the Paying Agent and Bond Registrar to pay, and the Paying Agent and Bond Registrar is hereby authorized and directed to deposit such funds into the Sinking Fund hereinafter identified and to apply such funds to the payment of, the Current Bonds or portions thereof called for redemption, together with accrued interest thereon to the redemption date and any required premium. Upon the giving of notice and the deposit of adequate funds in the Sinking Fund for redemption of Current Bonds, interest on the Current Bonds or portions thereof so called for redemption shall cease to accrue after the date fixed for redemption. No payment of principal, premium or interest shall be made by the Paying Agent and Bond Registrar upon any Current Bond or portion thereof called for

redemption until such Current Bond or portion thereof shall have been delivered to the Paying Agent and Bond Registrar for payment or cancellation, or the Paying Agent and Bond Registrar shall have received the items required by Section 205 hereof with respect to any mutilated, lost, stolen or destroyed Current Bond.

A portion of any Current Bond maturing on or after January 1, 2010, may be redeemed, but Current Bonds shall be redeemed only in the principal amount of \$5,000 each or any integral multiples thereof. Upon surrender of any Current Bond for redemption in part only, the District shall execute and the Paying Agent and Bond Registrar shall register, authenticate and deliver to the holder thereof, within a period of three days from surrender of such Current Bond to the Paying Agent and Bond Registrar, at the expense of the District, a new Current Bond or Current Bonds of the same maturity, of authorized denominations and in aggregate principal amount equal to the unredeemed portion of the Current Bond surrendered.

**Section 205. Mutilated, Lost, Stolen or Destroyed Current Bonds.** If any Current Bond shall be mutilated, lost, stolen or destroyed, the District may execute, authenticate and deliver a new Current Bond of like maturity and tenor in lieu of and in substitution for the Current Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Current Bond, such mutilated Current Bond shall first be surrendered to the District, and in the case of any lost, stolen or destroyed Current Bond, there shall be first furnished to the District satisfactory evidence of the ownership of such Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Bond Registrar. If any such Current Bond shall have matured, the District (through the Bond Registrar) may pay the same instead of issuing a new Current Bond. The District and/or the Bond Registrar may charge the owner of such Current Bond its (their) reasonable fees and expenses in this connection.

**Section 206. Authentication of Current Bonds.** The Current Bonds, after execution by the District, shall be delivered to the Bond Registrar. No Current Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Current Bond Resolution unless and until such Current Bond has been duly authenticated by the Bond Registrar by the execution of the Authentication Certificate of Bond Registrar appearing on such Current Bond. Such Certificate appearing on any Current Bond shall be deemed to have been duly executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar. It shall not be required that the same officer of the Bond Registrar sign such Certificate on all of the Current Bonds.

The District shall deliver to the Bond Registrar a sufficient quantity of Current Bonds in blank to enable the Bond Registrar to hold a quantity of Current Bonds in blank, after the initial delivery of the Current Bonds, for future authentication and exchange for such Current Bonds as may be exchanged and transferred from time to time.

**Section 207. Disposition of Current Bonds Proceeds.** All sums received as accrued interest from the sale of the Current Bonds shall be deposited in the Sinking Fund hereinafter

continued (for payment of interest first due on the Current Bonds) and the remaining Current Bond proceeds shall be applied as follows:

(a) There shall first be paid from the Current Bond proceeds by or on the order of the Chairman the contractual fee of the District's Financial Advisor, the fee and any expenses of the Bond Registrar and Paying Agent, all counsel fees and expenses, rating service fees, if any, printing and publication charges and any other necessary or desirable fees and expenses with respect to the issuance of the Current Bonds and the redemption of the Refunded Bonds.

(b) A sufficient portion of the Current Bond proceeds together with such other legally available funds of the District as may be necessary, including such sums previously accrued specifically to pay interest on and all principal of the Refunded Bonds (which funds are hereby appropriated for such purpose), shall be applied to the current refunding, redemption or prepayment and retirement of the Refunded Bonds as herein described, and in this connection each of the Chairman, Secretary and Treasurer is hereby authorized and directed to take all necessary action on behalf of the District to provide for such redemption or prepayment and retirement immediately upon delivery of the Current Bonds, and in any event no later than thirty days thereafter.

(c) A sufficient portion of the Current Bond proceeds together with other available funds of the District as shall be necessary to cause the aggregate amount on deposit in the Reserve Fund hereinafter referred to be equal to the Reserve Amount shall be deposited in the Reserve Fund.

(d) The balance of the Current Bond proceeds, if any, shall be deposited in the Sinking Fund.

**Section 208. Application of Remaining Funds Held for Refunded Bonds.** The District covenants that simultaneously with the delivery of the Current Bonds and with the written approval of the RD, all amounts remaining in funds and accounts previously created and maintained by the District specifically for payment of principal of and accrued interest on the Refunded Bonds shall be transferred and applied according to the written direction of the Chairman or the Treasurer.

### ARTICLE 3. ARBITRAGE LIMITATIONS.

**Section 301. Arbitrage Limitations on Investment of Proceeds.** The District covenants and certifies, in compliance with the Code, that on the basis of known facts and reasonable expectations on the date of enactment of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Purchaser and/or Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds" and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Current Bonds shall be excludable from gross income for Federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) 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 construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for Federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".



#### ARTICLE 4. FLOW OF FUNDS.

**Section 401. Flow of Funds.** From and after issuance and delivery of the Current Bonds, and so long as any of the Current Bonds or Parity Bonds remain outstanding and unpaid, the System shall continue to be operated on a Fiscal Year basis, and on that basis the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1971 Bond Resolution designated and identified as the District's "Water Revenue Fund", which shall continue to be maintained by the District, and into which shall be deposited all income and revenues of the System (to the extent not otherwise provided to be deposited hereinafter). The moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created in and by the 1971 Bond Resolution and designated and identified as the "Waterworks Bond and Interest Sinking Fund", which shall continue to be maintained so long as any of the Outstanding Bonds or any additional Parity Bonds herein permitted to be issued are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the Outstanding Bonds and any Parity Bonds hereafter issued and outstanding pursuant to the provisions of this Resolution.

There shall be set aside and transferred on or before the 20th day of each month from the Revenue Fund, as a first charge thereon, and deposited in the Sinking Fund sums sufficient to pay when due the principal and interest requirements on the Outstanding Bonds. Specifically, there shall be paid into the Sinking Fund on or before the 20th day of each month, on account of the Outstanding Bonds, not less than the following:

- (i) a sum which together with other funds available in the Sinking Fund for such purpose will be equal to one-sixth (1/6) of the next succeeding interest installment to become due on all Outstanding Bonds; and
- (ii) a sum which together with other funds available in the Sinking Fund for such purpose will be equal to one-twelfth (1/12) of the principal of all Outstanding Bonds maturing on the next succeeding principal payment date.

In the event additional Parity Bonds are issued pursuant to the conditions and restrictions hereinafter prescribed, the monthly deposits to the Sinking Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

If for any reason there should be a failure to pay into the Sinking Fund the full amounts above stipulated, then an amount equivalent to such deficiency shall be set apart and paid into the

Sinking Fund from the first available income and revenues of the System, subject to the aforesaid priorities.

No further payments need to be made into the Sinking Fund if and when the amount held therein and in any other available fund is at least equal to the amount required to retire all Outstanding Bonds and Parity Bonds and paying all interest that will accrue thereon.

(C) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, is hereby created, designated and identified as the "East Pendleton Water District Waterworks Revenue Bond Debt Service Reserve Fund of 1998", which shall continue to be maintained so long as there are outstanding any Parity Bonds herein permitted to be issued on a parity with the Outstanding Bonds, except those Parity Bonds the original purchaser or purchasers of which have waived the benefit of, and any claim to, the Reserve Fund. Parity Bonds which may be issued and outstanding from time to time as hereinafter permitted and with respect to which the original purchaser or purchasers have not waived the benefit of and claim to the Reserve Fund are hereafter referred to as "Qualified Parity Bonds". The holders of the Prior Bonds, have elected, for themselves and on behalf of all subsequent holders of the Prior Bonds, to waive the benefit of and any claim to the Reserve Fund.

All moneys deposited in the Reserve Fund from time to time shall be held and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the outstanding Qualified Parity Bonds, if any, if and to the extent insufficient funds are available therefor in the Sinking Fund. Whenever the amount in the Reserve Fund is less than the Reserve Amount, the amount necessary to restore balance in the Reserve Fund to the Reserve Amount shall be paid into the Reserve Fund in thirty-six (36) equal monthly installments, each payable on the twentieth (20th) day of the month (except that when the twentieth (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) from the Revenue Fund, after making the deposits set out in subsection (B) above, until the Reserve Amount is on deposit in the Reserve Fund.

Any amount in the Reserve Fund in excess of the Reserve Amount shall be transferred to the Sinking Fund and applied as credit against payments into the Sinking Fund from the Revenue Fund on a monthly basis as described in the foregoing subsection (B).

(D) A separate and special fund or account of the District was created by the 1971 Bond Resolution designated and identified as the District's "Depreciation Fund". After observing the priority of deposits set forth in (A) through (C) above, which are cumulative, there shall be set apart and paid into the Depreciation Fund each month, such sum as is required by the 1971 Bond Resolution, from the remaining funds in the Revenue Fund, such monthly deposits to continue so long as any Prior Bonds payable from the income and revenues of the System remain outstanding and unpaid or until the minimum balance set forth in said 1971 Bond Resolution is reached.

In addition to the above deposits from the Revenue Fund, there shall also be deposited in the Depreciation Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the System, and the cash proceeds of any surplus, worn-out or obsolescent properties of the System, if the same be sold upon order of the Commission. Any fees which may be levied and collected by the Commission of the District for the privilege of connecting to the System (excluding initial deposits received in aid of a particular project) shall be paid, as received, into the Depreciation Fund.

The Depreciation Fund shall be available and may be withdrawn and used by the District, upon appropriate certification as to the authorization for such withdrawal, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, and the cost of constructing additions and improvements to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. The Depreciation Fund shall also be available for transfer to the Sinking Fund in order to avoid default in connection with any Outstanding Bonds payable from the Sinking Fund or to redeem or purchase Outstanding Bonds in advance of maturity.

At any time when the accumulations in the Depreciation Fund shall exceed the anticipated current needs for authorized purposes, all or any portion of such excess may be invested and reinvested upon order of the Commission in Permitted Investments maturing or subject to redemption at the option of the holder not later than the time anticipated to be needed by the District, but in any event not later than five (5) years after the date of investment; but as and when funds may be required for authorized purposes a sufficient portion thereof shall be converted into cash and so applied. All investments of money in the Depreciation Fund shall be carried to the credit of the Depreciation Fund; all income from investments and any profit from the sale thereof shall be credited thereto; and any expenses incident to investment or reinvestment, together with any loss from forced conversion of investments into cash, shall be charged thereto.

(E) A separate and special fund or account of the District was created by the 1971 Bond Resolution designated the District's "Operation and Maintenance Fund", which shall continue to be maintained for the benefit of the System and all Outstanding Bonds payable from the income and revenues of the System. The District covenants that it will transfer monthly from the moneys in the Revenue Fund, after making the transfers required by (A) through (E) above, to the Operation and Maintenance Fund sums sufficient to pay as they accrue the Current Expenses of operating and maintaining the System pursuant to the Proposed Budget, for which provision is hereafter made, and to accrue an operation and maintenance reserve not in excess of anticipated requirements for a two-month period pursuant to the Proposed Budget.

At any time when the accumulations in the Operation and Maintenance Fund shall exceed the anticipated current needs for authorized purposes, all or any portion of such excess may be invested and reinvested upon order of the Commission in Permitted Investments maturing or subject to redemption at the option of the holder not later than the time anticipated to be needed by the District, but in any event not later than ninety (90) days after the date of investment; but as and when

funds may be required for authorized purposes a sufficient portion thereof shall be converted into cash and so applied. All investments of money in the Operation and Maintenance Fund shall be carried to the credit of the Operation and Maintenance Fund; all income from investment or reinvestment, together with any loss from forced conversion of investments into cash, shall be charged thereto.

(F) All moneys held in the Revenue Fund, the Sinking Fund, the Reserve Fund and the Depreciation Fund shall be deposited in a bank or banks which are members of the FDIC, and all such deposits which cause the aggregate deposits of the District in any one bank to be in excess of the amount insured by FDIC shall be continuously secured by a valid pledge of direct obligations of the United States of America having an equivalent market value. All or any part of the Revenue Fund and the Sinking Fund shall be continuously secured by a valid pledge of direct obligations of the United States of America having an equivalent market value. All or any part of the Revenue Fund and the Sinking Fund may, and the Reserve Fund shall, be invested in Permitted Investments, as hereinafter defined, maturing or being subject to retirement at the option of the holder on such dates as the same may be needed for meeting interest and/or principal payments, and all such investments shall be carried to the credit of the Fund which supplied the funds for such investments, and the income from such investments shall be credited to the Sinking Fund; provided, however, if the amount in the Reserve Fund is less than the Reserve Amount, income from investments in the Reserve Fund shall be credited to the Reserve Fund until the Reserve Amount is accumulated therein. Permitted Investments in the Reserve Fund shall be valued at cost.

Investment income accruing to the Sinking Fund shall be credited against payments into the Sinking Fund from the Revenue Fund on a monthly basis as set out in the foregoing subsection (B) hereof.

(G) Subject to the provisions of subsections (A) through (F) above, which are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred within sixty (60) days after the end of each Fiscal Year the balance of excess funds in the Revenue Fund on such date to the Depreciation Fund.

All payments into the above special funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (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 in any Depository Bank 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 pledge of direct obligations or by guaranteed bonds or securities of the United States Government having a market value at least equivalent to such excess deposit.

**Section 402. Current Bonds on a Parity with Outstanding Bonds.** It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the District (i) a letter from the RD to the effect that the RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Bonds of 1971, all of which are owned by the RD, together with (ii) a certification signed by the RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Bonds of 1971 held by the RD, evidencing the agreement of the RD as the then Owner of the Bonds of 1971, to the issuance of the Current Bonds so as to rank on a parity with the Bonds of 1971, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$1,015,000 of East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, ranking on a parity as to security and source of payment with this Bond.

The KIA Loan was issued subsequent to the issuance of the Refunded Bonds and accordingly, the lien securing the Current Bonds is superior to the lien securing the KIA Loan, provided the District is in compliance with the coverage requirements of the Prior Bond Resolution. The District has obtained a certification from the Certified Public Accountants and/or the Independent Consulting Engineers that such coverage requirements have been met.

Accordingly, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with the Outstanding Bonds from the gross income and revenues of the System.

## ARTICLE 5. COVENANTS OF DISTRICT.

**Section 501. Rates and Charges.** The District covenants that while the Current Bonds remain outstanding and unpaid, such rates and charges for services of the System will be imposed and collected so that the gross income and revenues of the System will be sufficient to provide for all principal and interest requirements of all Outstanding Bonds, to provide for all expenses of operation, repair, maintenance and insurance, of the System and to produce net revenues in each year equal to not less than 120% of the maximum annual principal and interest requirements of all Outstanding Bonds, calculated in the manner (and with the defined terms) specified in Section 602 hereof, authorizing the issuance of future Parity Bonds, except that for the purpose of such calculation, no adjustment shall be permitted for future projections or for any other matter; and the District shall enact promptly and enforce increased rates whenever such increase shall be necessary to fulfill any covenants of or payments required by this Resolution.

The District covenants that it will not reduce the rates and charges for services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer to the effect 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 date on which such reduction is proposed, as such annual revenues are adjusted, after taking into account the projected reduction in revenues anticipated to result from such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements falling due in any year thereafter, calculated in the manner specified in Section 602 hereof.

The District also covenants to cause a coverage report to be filed with the Governing Body within four months after the end of each fiscal year by Certified Public Accountants and/or Independent Consulting Engineers, setting forth what was the precise percentage of the maximum annual debt service requirements falling due 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 in Section 602 hereof; and the District 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 maximum future annual debt service requirements, the District shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountants and/or Independent Consulting Engineers, to establish the existence of or immediate projection of, such minimum 120% coverage.

**Section 502. Books and Accounts; Audit.** The District covenants to maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Owners of any 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 shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to any Bondowner that may have made a written request for same.

**Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget.**

While any of the Current Bonds, and any Parity Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than ninety days after the end of each Fiscal Year, beginning immediately after the issuance of the Current Bonds, the District agrees to cause to be prepared a detailed statement of income and expenditures for the Fiscal Year, a current financial statement and a proposed annual budget of current expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such Proposed Budget.

For the purpose of the Proposed Budget, current expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and payments into the Sinking Fund, the Reserve Fund, 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.

Not later than ninety days after the end of each Fiscal Year, 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 Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the District Council shall hold an open hearing not later than thirty days before the beginning of the ensuing Fiscal Year, at which time any Bondowner 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 fifteen days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of December, the annual budget for the then current Fiscal Year will be adopted substantially in accordance with the Proposed 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 Owners 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 Owners of a majority of the principal amount of the Outstanding 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 improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 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 (i) to pay the interest on and principal of the Outstanding Bonds as same become due, (ii) to pay the cost of operating and maintaining the System, and (iii) to provide for an adequate depreciation account; and
- (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 Owner of any of the Outstanding 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 505 hereof (involving insurance on motors, tanks and structures).

**Section 505. Insurance on Motors, Tanks and Structures.** If and to the extent not now fully required by the 1971 Bond Resolution, the District shall immediately after the adoption of this Resolution insure all electric motors, pumping stations and major structures of the System in an amount recommended by an Independent Consulting Engineer for the hazards usually covered in such area.



## ARTICLE 6. INFERIOR BONDS AND PARITY BONDS.

**Section 601. Inferior Bonds.** Except as provided below in this Article, the District shall not, so long as any of the Current Bonds and/or Parity Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Current Bonds and any Parity Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Outstanding Bonds, and provided further that, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding of the Outstanding Bonds.

**Section 602. Parity Bonds to Finance Future Improvements.** The District reserves the right and privilege, of issuing additional Parity Bonds, but only under the following conditions:

The District further reserves the right to add new combined and consolidated water and sewer facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Outstanding Bonds, from the revenues of the System, provided:

(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operation 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 be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, including such requirements of the Current Bonds, any Parity Bonds then outstanding plus the anticipated debt service 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 additional 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:

(1) any revisions in the System's schedule of rates or charges being imposed at the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and 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 an Independent Consulting Engineer.

(e) Reference is made to Section 605 hereof as to the necessity of obtaining the written consent of the RD for the issuance of future bonds encumbering the System while the RD owns any Bonds payable from the revenues of the System.

The District hereby further reserves the right and privilege of issuing additional Parity Bonds for the purpose of refunding any of the Outstanding Bonds and any additional Parity Bonds, or any portion thereof, as may be outstanding, provided that before any additional Parity Bonds are issued for such purpose, there shall have been procured and filed with the Secretary of the District either (a) the written consent of the holders of all Outstanding Bonds and any additional Parity Bonds (other than the bonds being refunded) to such issuance or (b) a statement by an independent Certified Public Accountant reciting the opinion based upon necessary investigation that after the issuance of such additional Parity Bonds, the net income and revenues, as adjusted and defined above, of the System for the fiscal year preceding the date of issuance of such additional Parity Bonds, after taking into account the revised maximum annual debt service resulting from the issuance of such additional Parity Bonds and from the elimination of the bonds being refunded, are equal to not less than 120% of the maximum annual debt service requirement for any year ending January 1 with respect to the Outstanding Bonds and any additional Parity Bonds then outstanding and the proposed additional Parity Bonds and calculated in the manner specified above.

The original purchaser or purchasers of a series of additional Parity Bonds may waive the benefit of and any claim to the Reserve Fund, in which event such bonds shall not be secured by or payable from the Reserve Fund; and the District may make it a condition to the original sale of any series of additional Parity Bonds that the purchaser or purchasers thereof, by offering to purchase or by purchasing the same, has agreed to such waiver.

**Section 603. Covenants to be Complied with at Time of Issuance of Parity Bonds.** The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

(a) 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 average annual debt service requirements of the Parity Bonds;

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

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

**Section 604. Prepayment Provisions Applicable to Parity Bonds.** If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

**Section 605. Consent of the RD Regarding Future Bonds.** Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

**Section 606. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities.** The District covenants and agrees that so long as any of the Current Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Current Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either  
(1) redemption of Outstanding Bonds in accordance with the provisions governing

prepayment of bonds in advance of maturity or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

## ARTICLE 7. DEFAULT AND CONSEQUENCES.

**Section 701. Events of Default.** The following items shall constitute an Event of Default on the part of the District:

- (a) The failure to pay principal of the Current Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Current Bonds when the same shall become due and payable.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Current Bonds or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within 60 days after entry.

**Section 702. Consequences of Event of Default.** Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said Bonds, 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 operating and maintenance expenses and for the payment of principal of and interest on the Current Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

The District hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the District's obligations, all contracts, and other rights of the District pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. Upon the occurrence of an Event of Default, the Owner of any of the Bonds may require the governing body of the District by appropriate order to raise the rates a reasonable amount consistent with the requirements of this Resolution.

**ARTICLE 8. CONTRACTUAL PROVISIONS; MISCELLANEOUS PROVISIONS.**

**Section 801. Resolution Contractual with Bondowners.** The provisions of this Current Bond Resolution shall constitute a contract between the District and the Owners of the Current Bonds, and after the issuance of any of the Current Bonds, no change, variation or alteration of any kind, in the provisions of this Current Bond Resolution shall be made in any manner, except for the purpose of curing any ambiguity or of curing, correcting, or supplementing any defective or inconsistent provisions contained herein or in any proceeding pertaining hereto, and except as herein provided, until such time as all of the Current Bonds and the interest thereon have been paid in full; provided, however, that the Owners of eighty percent (80%) in principal amount of the Current Bonds may agree to a modification or amendment to this Current Bond Resolution; provided, however, that no such modifications or amendments shall be made which will permit: (a) an extension of the maturity of any of the Current Bonds or of any Parity Bonds, (b) a reduction in the principal amount of any Current Bond or the redemption price or the rate of interest thereon, (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge of the Current Bonds, (d) a preference or priority of any Current Bonds or Parity Bonds over any other bond or bonds, (e) a reduction in the aggregate principal amount of the Current Bonds required to consent to any such modification or amendment, or (f) impair in any way the rights of the Owners of the Current Bonds.

**Section 802. All Current Bonds are Equal.** The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

**Section 803. Signatures of Officers.** If any of the officers whose signatures or facsimile signatures appear on the Current Bonds cease to be such officers before delivery of the Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if said officers had retained in office until delivery, as provided in KRS 58.040 and KRS 61.390.

**Section 804. Appointment and Duties of Bond Registrar, Transfer Agent, and Paying Agent.** The Fifth Third Bank, Cincinnati, Ohio, is hereby designated as the Bond Registrar, Transfer Agent and Paying Agent.

**A. Duties as Bond Registrar and Transfer Agent.** The Bond Registrar and Transfer Agent shall have the following duties

- (1) To authenticate the Current Bonds authorized herein.
- (2) To register all of the Current Bonds in the names of the respective owners thereof;

(3) Upon being supplied with a properly authenticated assignment satisfactory to the Bond Registrar (in the sole discretion of such Bond Registrar), to transfer the ownership of Current Bonds from one registered Bondowner to another within three (3) business days of the receipt of such proper assignment by the Bond Registrar; and

(4) To cancel and destroy (or remit to the District for destruction, if so requested by the District) all exchanged, matured, retired and redeemed Current Bonds, and to maintain adequate records relevant thereto.

B. Duties as Paying Agent. The Paying Agent shall have the following duties:

(1) To hold the Sinking Fund in accordance with the provisions of hereof;

(2) To remit, but only to the extent that all required funds are made available to the Paying Agent by the District, semiannual interest payments directly to the registered owner of each Bond by regular United States mail. Said interest payments shall be deposited in the United States mail no later than each interest due date. Matured or redeemed Bonds shall be payable upon presentation to the Paying Agent. For interest payment purposes, the Paying Agent shall be entitled to rely on its records as Bond Registrar as to the ownership of each Bond as of the 15th day of the month preceding an interest due date, and the Paying Agent's check shall be drawn and mailed accordingly;

(3) To notify the Owner of each Current Bond to be redeemed and to redeem Bonds prior to their stated maturity upon their presentation in accordance with the provisions of this Current Bond Resolution upon receiving, sufficient funds; and

(4) To supply the District with a written accounting evidencing the payment of interest on and principal of the Current Bonds within 30 days following each respective due date.

The Bond Registrar/Paying Agent 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 Bond Registrar/Paying Agent 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 Current Bond Resolution, or the responsibility for the consequences of any oversight or error of judgment.

The Bond Registrar/Paying Agent may at any time resign from its duties set forth in this Current Bond Resolution by filing its resignation with the Secretary and notifying the Purchaser of the Bonds. Thereupon, the District shall designate a successor Bond Registrar/Paying Agent 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 Bond Registrar/Paying Agent, provision shall be made for the orderly transition of the books, records and

accounts relating to the Current Bonds to the successor Bond Registrar/Paying Agent in order that there will be no delinquencies in the payment of interest or principal due on the Current Bonds.

The Bond Registrar/Transfer Agent/Paying Agent shall indicate its acceptance of its duties as Bond Registrar, Transfer Agent and Paying Agent by signing the acceptance at the conclusion of this Current Bond Resolution.



**ARTICLE 9. SALE OF CURRENT BONDS.**

**Section 901. Sale of Current Bonds.** The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the District shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, the same are hereby approved, and a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is enacted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

In the event that there is no bid or that all bids are rejected, the District may readvertise the sale pursuant to this Resolution.

**ARTICLE 10. CONCLUDING PROVISIONS.**

**Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with Internal Revenue Code.** In order to assure the Purchaser and any subsequent owner of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for Federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for Federal income tax purposes, (2) will take no actions which will violate any of the provisions of the Code, and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds to become includable in gross income for Federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the District hereby designates the Current Bonds as "qualified tax-exempt obligations".

(c) Within the meaning of Section 141 of the Code, (i) less than 10% of the proceeds of the Current Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the Current Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived from payments in respect of such property; (ii) at least 90% of the proceeds of the Current Bonds will be applied for a governmental use of the District; (iii) any private business use of the System will be related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the Current Bonds will be used, directly or indirectly, to make or finance loans to private persons.

(d) The Current Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(e) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(f) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that any Fund established hereunder, is

subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which the funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

**Section 1002. Annual Disclosure Requirements.** In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the District agrees to provide or cause to be provided through a designated agent (the "Agent"), in a timely manner, to (i) each nationally recognized municipal securities information repository ("NRMSIR") designated by the SEC in accordance with the Rule or to the Municipal Securities Rulemaking Board ("MSRB") and (ii) the appropriate state information depository ("SID"), if any, designated by the Commonwealth of Kentucky, notice of the occurrence of any of the following events with respect to the Current Bonds, if such event is material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinion or events affecting the tax-exempt status of the Current Bonds;
- (g) modifications to rights of the Bondholders;
- (h) Current Bond calls;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Current Bonds;  
and/or
- (k) rating changes.

The District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the District determines that such other event is

material with respect to the Current Bonds, but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The District shall make publicly available the financial information and operating data on the System. Such information may be obtained from the Secretary, 600 Woodson Road, P.O. Box 29, Falmouth, Kentucky 41040, telephone: (606) 654-2100.

As of the date of this Resolution, the District is in compliance with the reporting requirements of the Rule for all undertakings for which they are an "obligated person" as defined in the Rule.

The obligations of the District described above will remain in effect only for such period that (i) the Bonds are outstanding in accordance with their terms and (ii) that the District remains an obligated person with respect to the Bonds within the meaning of the Rule. The District reserves the right to terminate its obligation to provide notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The District acknowledges that its undertaking pursuant to the Rule described under this Section is intended to be for the benefit of the Bondholders (including holders of beneficial interests in the Bonds).

Notwithstanding any other provision of this Resolution, this Section may be amended, if the District receives an opinion of independent legal counsel to the effect that:

- (i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the types of activities in which the District is engaged;
- (ii) this Section as so amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) such amendment does not materially impair the interests of the Bondholders.

In the event of a failure of the District to comply with any provision of this Section, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this Section. A default under this Section shall not be deemed an Event of Default under this Resolution, and the sole remedy under this Section in the event of any failure of the District to comply with this Section shall be an action to compel performance.

**Section 1003. 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

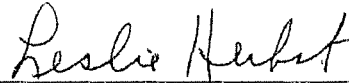
not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

**Section 1004. All Provisions in Conflict Repealed.** All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore sold, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

**Section 1005. Effective Date.** This Resolution shall take effect upon its adoption and publication by title and summary, as provided by law.

Adopted on August 4, 1998.


EAST PENDLETON WATER DISTRICT



Chairman

(Seal of District)

Attest:

  
Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the East Pendleton Water District, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Commission of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Commission held on August 4, 1998, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this August 4, 1998.

Secretary

(Seal of District)

ACCEPTANCE BY THE FIFTH THIRD BANK  
BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT

The undersigned, The Fifth Third Bank, hereby agrees to the provisions of the foregoing Resolution to the extent there are contained therein provisions as to the rights and duties of it as Bond Registrar, Transfer Agent and Paying Agent.

Dated: August 4, 1998.

The Fifth Third Bank

By Fred T. Overbeck  
Signature

TRUST OFFICER  
Title

EXHIBIT A

Maturity Schedule

<u>Maturity Date</u> <u>January 1</u>	<u>Principal</u> <u>Maturity*</u>	<u>Maturity Date</u> <u>January 1</u>	<u>Principal</u> <u>Maturity*</u>
1999	\$15,000	2013	\$35,000
2000	20,000	2014	40,000
2001	20,000	2015	40,000
2002	20,000	2016	40,000
2003	25,000	2017	45,000
2004	25,000	2018	45,000
2005	25,000	2019	50,000
2006	25,000	2020	50,000
2007	30,000	2021	55,000
2008	30,000	2022	60,000
2009	30,000	2023	60,000
2010	30,000	2024	65,000
2011	35,000	2025	65,000
2012	35,000		

\*subject to adjustment



**EXHIBIT B**

(Form of Bond)

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON  
EAST PENDLETON WATER DISTRICT  
WATERWORKS REFUNDING REVENUE BOND  
SERIES 1998

NO. \_\_\_\_\_

DOLLARS \$ \_\_\_\_\_

DATE OF ORIGINAL ISSUE: August 1, 1998

INTEREST RATE:                      MATURITY DATE:                      CUSIP:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS: That the East Pendleton Water District of Pendleton County (the "District"), in the Commonwealth of Kentucky, for value received, hereby promises to pay to the Registered Owner named above, or registered assigns or legal representatives, as herein provided, solely from the special fund hereinafter identified, upon presentation and surrender of this Bond, the Principal Amount specified above, on the Maturity Date specified above, and to pay interest on said sum at the per annum Interest Rate specified above, from the interest payment date to which interest has been paid next preceding the date on which this Bond is authenticated, unless this Bond is authenticated on an interest payment date to which interest has been paid, in which event this Bond shall bear interest from such date, or if this Bond is authenticated prior to the first interest payment date, this Bond shall bear interest from the Date of Original Issue set out above, semiannually on January 1 and July 1 of each year, commencing on January 1, 1999, until payment of the Principal Amount, except as the provisions hereinafter set forth with regard to redemption prior to maturity may be and become applicable hereto. The principal amount of this Bond (and redemption price, if redeemed prior to maturity) is payable upon surrender of this Bond, at maturity or at earlier redemption prior to maturity, in lawful money of the United States of America at the main office of The Fifth Third Bank, Cincinnati, Ohio, (the "Paying Agent" and "Bond Registrar"). Interest due on this Bond shall be paid by check or draft by mail postmarked no later than the due date thereof by the Paying Agent to the registered owner hereof at the address shown as of the 15th day of the month preceding each interest payment date on the bond register kept by the Bond Registrar.

This Bond is part of a duly authorized issue of One Million Fifteen Thousand Dollars (\$1,015,000), principal amount of East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998 (the "Series 1998 Bonds") issued by the District pursuant to a Resolution duly

adopted (the "Current Bond Resolution") under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, and more specifically, Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds sufficient for (i) the current refunding of the outstanding East Pendleton Water District Waterworks Revenue Bonds of 1989 (the "Series 1989 Bonds"); (ii) providing funds for a debt service reserve fund, and (iii) paying the costs of issuance of the Series 1998 Bonds.

The Current Bond Resolution reaffirms that so long as any of the Series 1998 Bonds and/or any additional bonds ranking on a parity therewith, are outstanding, the System shall be owned and operated as a combined and consolidated revenue-producing public project or system within the meaning of the Act, for the security and source of payment of any and all of such outstanding the Series 1998 Bonds or any additional Parity Bonds.

Reference is made to the Current Bond Resolution for provisions with respect to the nature and extent of the security, rights, duties and obligations of the holders of the Series 1998 Bonds, the District and the Paying Agent and Bond Registrar, the terms upon which the Series 1998 Bonds are issued and the terms and conditions upon which the Bonds will be deemed to be paid at or prior to their scheduled maturity or redemption upon the making or provision for the payment thereof in the manner set forth in the Current Bond Resolution.

\*The Series 1998 Bonds maturing on January 1, \_\_\_\_\_, are subject to mandatory sinking fund redemption in part, at the selection of the Paying Agent and Bond Registrar by lot, from moneys in the special fund identified hereinafter on each January 1, beginning January 1, \_\_\_\_\_, at the principal amount thereof plus accrued interest to the redemption date, according to the following schedule of mandatory sinking fund installments:

<u>January 1</u>	<u>Amount</u>
	\$

The Series 1998 Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations, but are payable as to both principal and interest solely out of the revenues of the System, as aforesaid.

The Series 1998 Bonds are issuable as fully registered bonds in the denomination of \$5,000 and any authorized multiple thereof within a single maturity.

\*Paragraph to be added if Term Bonds are issued.

This Series 1998 Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the main office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Current Bond Resolution, and upon surrender and cancellation of this Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Upon such transfer being made, a new fully registered Series 1998 Bond or Series 1998 Bonds of the same series and the same maturity of authorized denomination, for the same aggregate principal amount, will be issued to the transferee in exchange for this Series 1998 Bond.

The District and the Bond Registrar may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of principal hereof, redemption price, if any, and interest due hereon and for all other purposes, and neither the District nor the Bond Registrar shall be affected by any notice to the contrary.

The Series 1998 Bonds maturing on and after January 1, 2010 shall be subject to redemption by the District prior to maturity, in whole or in part in the inverse order of their maturities (less than all of a single maturity to be selected by lot), at any time falling on or after January 1, 2009, at a redemption price expressed as a percentage of the principal amount of the Series 1998 Bonds called for redemption, plus unpaid interest accrued to the date of redemption as follows:

<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
January 1, 2009, through December 31, 2009	102%
January 1, 2010, through December 31, 2010	101%
January 1, 2011 and thereafter	100%

In the event that a Series 1998 Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 1998 Bond may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof. Upon surrender of any Series 1998 Bond for redemption in part, the Bond Registrar, in accordance with the Current Bond Resolution, shall authenticate and deliver an exchange Series 1998 Bond or Series 1998 Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 1998 Bond so surrendered.

The Registrar shall give notice of any redemption by sending such notice by United States Mail, first class, postage prepaid by registered or certified mail, at least 30 days prior to the date fixed for redemption, to the registered owner of this Bond at the address shown on the bond register as of the date of mailing of such notice.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the Series 1998 Bonds, have existed, have happened and have been performed, in due time, form and manner as required by law, that the amount of this Bond, together with all other obligations of said District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky, and that a sufficient portion of the gross income and revenues of the System has been pledged to and will be

set aside into the Sinking Fund by the District for the prompt payment of the principal of and interest on this Bond and all of the Series 1998 Bonds, and all other bonds ranking on a parity therewith.

IN WITNESS WHEREOF, said East Pendleton Water District, in the Commonwealth of Kentucky, has caused this Bond to be executed on its behalf with the duly authorized reproduced facsimile signature of the Chairman of said District, and the reproduced facsimile of its Corporate Seal to be imprinted hereon and attested by the reproduced facsimile signature of its Secretary, dated as of the first day of August, 1998; provided, however, that this Bond shall not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the Current Bond Resolution pursuant to which it was authorized until the Authentication Certificate of Registrar printed hereon shall have been executed by the manual signature of a duly authorized representative of the Bond Registrar.

EAST PENDLETON WATER DISTRICT

By \_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

AUTHENTICATION CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Series 1998 Bonds referred to in the within Bond and in the Current Bond Resolution authorizing same.

The Authentication Date of this Bond is: \_\_\_\_\_

The Fifth Third Bank

By \_\_\_\_\_  
Authorized Officer

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto  
\_\_\_\_\_ the  
within Bond and hereby irrevocably constitutes and appoints \_\_\_\_\_

\_\_\_\_\_ attorney to transfer said Bond on the books kept for registration and  
transfer of this Bond, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed By: \_\_\_\_\_  
Social Security Number or  
other taxpayer  
identification number:  
\_\_\_\_\_

Notice: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

CERTIFICATE OF EXECUTION AND NO LITIGATION

Re: East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998,  
in the amount of \$1,015,000

We, the undersigned, being the Chairman and Secretary, respectively, of the East Pendleton Water District (the "District"), do hereby certify as follows:

1. That a number of printed bond blanks of the above-styled issue of Bonds (the "Bonds") were executed with the printed reproduced facsimile signature of the undersigned Chairman, and attested with the printed reproduced facsimile signature of the undersigned Secretary.

2. That the undersigned Chairman and Secretary hereby adopt as and for their own official signatures their respective printed reproduced facsimile signatures appearing on each of said printed Bonds.

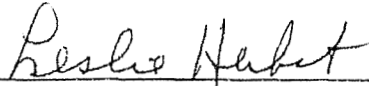
3. That on the date of execution of this Certificate, we were, and now are, the duly chosen, qualified and acting officers indicated in the Bonds and in this Certificate and that we were and are duly authorized to execute the same.

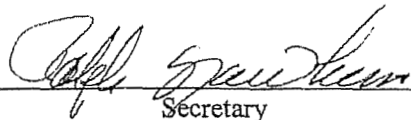
4. That we have delivered to The Fifth Third Bank, Cincinnati, Ohio (the "Bond Registrar"), the printed bond blanks referred to and executed as set out in paragraph 1 above, for use by the Bond Registrar in authenticating and issuing such Bonds for the purposes of (a) the original issuance of same, and (b) in reissuing such printed Bonds from time to time in the future as may be required by sales, exchanges and assignments of Bonds, as provided and contemplated in the Bond Resolution.

5. That no litigation of any nature is now pending or threatened to restrain or enjoin the issuance and delivery of said Bonds, or in any manner questioning the proceedings authorizing the issuance of said Bonds or the authority of the District to make application of the proceeds of said Bonds in accordance with the terms of the Resolution authorizing said Bonds, that neither the existence of the District, nor the title of any of the present officers of the District to their respective offices is being contested; and that none of the proceedings or authorizations heretofore taken or given for the issuance of said Bonds, or for the payment or security thereof, has been modified, canceled, repealed, revoked or rescinded.

IN TESTIMONY WHEREOF, witness our signatures this September 10, 1998.

EAST PENDLETON WATER DISTRICT

  
\_\_\_\_\_  
Chairman

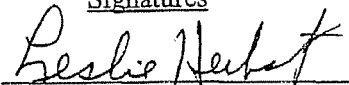
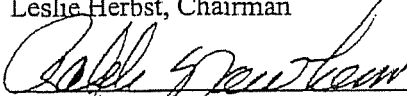
  
\_\_\_\_\_  
Secretary

CERTIFICATE AS TO OFFICIAL SEAL, INCUMBENCY  
AND SIGNATURE IDENTIFICATION

Re: East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998,  
in the amount of \$1,015,000

We, the undersigned Chairman and Secretary of the East Pendleton Water District (the  
"District") do hereby certify that the Seal affixed below is the Official Seal of said District.

We certify that we are the duly elected, qualified and acting officers of said District, as  
indicated by our signatures set out below; that the following signatures are our true and genuine  
signatures, and that our terms of office are as hereinafter set out:

<u>Signatures</u>	<u>Beginning of Term Date</u>	<u>Expiration of Term Date</u>
 Leslie Herbst, Chairman	July 1, 1996	June 30, 2001
 Ralph Nordheim, Secretary	July 1, 1996	June 30, 2001

We further certify that the other member of the Commission and his term is as follows:

<u>Commissioner</u>	<u>Beginning of Term Date</u>	<u>Expiration of Term Date</u>
William Thompson	August 27, 1998	August 26, 2002

Dated this 10<sup>th</sup> day of September, 1998.

(Seal of District)



East Pendleton Water District  
Waterworks Refunding Revenue Bonds  
(Series 1998)  
=====  
Debt Service Schedule  
=====

*New*  
*211, 112 2*

Date	Principal	Coupon	Interest	Period Total	Fiscal Total
1/1/99	5,000.00	4.200000	21,447.92	26,447.92	
7/1/99			25,632.50	25,632.50	52,080.42
1/1/00	20,000.00	4.500000	25,632.50	45,632.50	
7/1/00			25,182.50	25,182.50	70,815.00
1/1/01	20,000.00	4.500000	25,182.50	45,182.50	
7/1/01			24,732.50	24,732.50	69,915.00
1/1/02	20,000.00	4.500000	24,732.50	44,732.50	
7/1/02			24,282.50	24,282.50	69,015.00
1/1/03	25,000.00	4.500000	24,282.50	49,282.50	
7/1/03			23,720.00	23,720.00	73,002.50
1/1/04	25,000.00	4.500000	23,720.00	48,720.00	
7/1/04			23,157.50	23,157.50	71,877.50
1/1/05	25,000.00	4.800000	23,157.50	48,157.50	
7/1/05			22,557.50	22,557.50	70,715.00
1/1/06	25,000.00	4.800000	22,557.50	47,557.50	
7/1/06			21,957.50	21,957.50	69,515.00
1/1/07	30,000.00	4.800000	21,957.50	51,957.50	
7/1/07			21,237.50	21,237.50	73,195.00
1/1/08	30,000.00	4.800000	21,237.50	51,237.50	
7/1/08			20,517.50	20,517.50	71,755.00
1/1/09	30,000.00	5.000000	20,517.50	50,517.50	
7/1/09			19,767.50	19,767.50	70,285.00
1/1/10	30,000.00	5.000000	19,767.50	49,767.50	
7/1/10			19,017.50	19,017.50	68,785.00
1/1/11	35,000.00	5.000000	19,017.50	54,017.50	
7/1/11			18,142.50	18,142.50	72,160.00
1/1/12	35,000.00	5.000000	18,142.50	53,142.50	
7/1/12			17,267.50	17,267.50	70,410.00
1/1/13	35,000.00	5.100000	17,267.50	52,267.50	
7/1/13			16,375.00	16,375.00	68,642.50
1/1/14	40,000.00	5.100000	16,375.00	56,375.00	
7/1/14			15,355.00	15,355.00	71,730.00
1/1/15	40,000.00	5.100000	15,355.00	55,355.00	
7/1/15			14,335.00	14,335.00	69,690.00
1/1/16	45,000.00	5.200000	14,335.00	59,335.00	
7/1/16			13,165.00	13,165.00	72,500.00
1/1/17	45,000.00	5.200000	13,165.00	58,165.00	
7/1/17			11,995.00	11,995.00	70,160.00
1/1/18	45,000.00	5.200000	11,995.00	56,995.00	
7/1/18			10,825.00	10,825.00	67,820.00
1/1/19	50,000.00	5.250000	10,825.00	60,825.00	
7/1/19			9,512.50	9,512.50	70,337.50
1/1/20	55,000.00	5.250000	9,512.50	64,512.50	
7/1/20			8,068.75	8,068.75	72,581.25
1/1/21	55,000.00	5.250000	8,068.75	63,068.75	
7/1/21			6,625.00	6,625.00	69,693.75
1/1/22	60,000.00	5.300000	6,625.00	66,625.00	
7/1/22			5,035.00	5,035.00	71,660.00
1/1/23	60,000.00	5.300000	5,035.00	65,035.00	
7/1/23			3,445.00	3,445.00	68,480.00
1/1/24	65,000.00	5.300000	3,445.00	68,445.00	
7/1/24			1,722.50	1,722.50	70,167.50
1/1/25	65,000.00	5.300000	1,722.50	66,722.50	
7/1/25					66,722.50
ACCRUED	1,015,000.00		868,710.42	1,883,710.42	
			5,576.46	5,576.46	
	1,015,000.00		863,133.96	1,878,133.96	

*Bal = 660,000*

Dated 8/1/98 with Delivery of 9/10/98  
Bond Years 16,767.917  
Average Coupon 5.180789  
Average Life 16.520115  
N I C % 5.301854 % Using 98.0000000  
T I C % 5.355417 % From Delivery Date

EAST PENDLETON COUNTY WATER DISTRICT

**USDA Rural Development**

**2001 Bonds**

		PY Balance	Principle	Interest	Payment	YE Balance
2011						\$ 430,000
2012	4.75%	430,000	7,000	20,520	27,520	423,000
2013	4.75%	423,000	7,000	20,188	27,188	416,000
2014	4.75%	416,000	7,000	19,855	26,855	409,000
2015	4.75%	409,000	8,000	19,523	27,523	401,000
2016	4.75%	401,000	8,000	19,143	27,143	393,000
2017	4.75%	393,000	8,000	18,763	26,763	385,000
2018	4.75%	385,000	9,000	18,383	27,383	376,000
2019	4.75%	376,000	9,000	17,955	26,955	367,000
2020	4.75%	367,000	10,000	17,528	27,528	357,000
2021	4.75%	357,000	10,000	17,053	27,053	347,000
2022	4.75%	347,000	11,000	16,578	27,578	336,000
2023	4.75%	336,000	11,000	16,055	27,055	325,000
2024	4.75%	325,000	12,000	15,533	27,533	313,000
2025	4.75%	313,000	12,000	14,963	26,963	301,000
2026	4.75%	301,000	13,000	14,393	27,393	288,000
2027	4.75%	288,000	14,000	13,775	27,775	274,000
2028	4.75%	274,000	14,000	13,110	27,110	260,000
2029	4.75%	260,000	15,000	12,445	27,445	245,000
2030	4.75%	245,000	16,000	11,733	27,733	229,000
2031	4.75%	229,000	17,000	10,973	27,973	212,000
2032	4.75%	212,000	18,000	10,165	28,165	194,000
2033	4.75%	194,000	18,000	9,310	27,310	176,000
2034	4.75%	176,000	20,000	8,455	28,455	156,000
2035	4.75%	156,000	20,000	7,505	27,505	136,000
2036	4.75%	136,000	22,000	6,555	28,555	114,000
2037	4.75%	114,000	22,000	5,510	27,510	92,000
2038	4.75%	92,000	24,000	4,465	28,465	68,000
2039	4.75%	68,000	25,000	3,325	28,325	43,000
2040	4.75%	43,000	26,000	2,138	28,138	17,000
2041	4.75%	17,000	17,000	903	17,903	-

430,000	386,793	816,793
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BOND RESOLUTION

EAST PENDLETON WATER DISTRICT

AUTHORIZING

EAST PENDLETON WATER DISTRICT WATERWORKS REVENUE BONDS,  
SERIES 2001

IN THE AMOUNT OF

\$479,000

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## BOND RESOLUTION

**RESOLUTION OF THE EAST PENDLETON WATER DISTRICT OF PENDLETON COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$479,000 PRINCIPAL AMOUNT OF EAST PENDLETON WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2001 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.**

WHEREAS, the waterworks system (the "System") of the East Pendleton Water District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the District presently has outstanding certain Prior Bonds (as hereinafter defined), which Prior Bonds are payable from and secured by a pledge of the revenues derived from the operation of the System, and

WHEREAS, all of the Prior Bonds presently outstanding are current as to payment of both principal and interest, and for the security of which a certain Sinking Fund and certain reserves are being maintained in the manner and by the means prescribed in the Prior Bond Resolution (as hereinafter defined) of the District, authorizing the Prior Bonds, and

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$479,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by PDR Engineers, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued as second lien bonds, subject to the vested rights and priorities in favor of the owners of the outstanding Prior Bonds, and

WHEREAS, the Public Service Commission of Kentucky has granted to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$1,175,600, and by connection charges in the amount of at least \$147,700, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE EAST PENDLETON WATER DISTRICT OF PENDLETON COUNTY, KENTUCKY, AS FOLLOWS:



**ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS;  
SECURITY.**

**Section 101. Definitions.** As used in this Resolution, unless the context requires otherwise:

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

*"Beginning Month"* refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

*"Bond Counsel"* refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

*"Bondowner" or "Owner"* refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

*"Bonds"* collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

*"Bonds of 1971" or "Series 1971 Bonds"* refer to the outstanding East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973, in the original authorized principal amount of \$418,000.

*"Bonds of 1998" or "Series 1998 Bonds"* refer to the outstanding East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, dated August 1, 1998, in the original authorized principal amount of \$1,015,000.

*"Bond Resolution of 1971" or "1971 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1971, duly adopted by the Board of Commissioners of the District on March 20, 1972.

*"Bond Resolution of 1998" or "1998 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1998, duly adopted by the Board of Commissioners of the District on August 4, 1998.

*"CDBG Grant"* refers to the Community Development Block Grant described in Section 805 of this Resolution.

*"Chairman"* refers to the elected or appointed Chairman or Chairperson of the Commission.

*"Code"* refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

*"Commission"* refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"*Construction Account*" refers to the East Pendleton Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

"*Contractors*" refers to the general contractors who have been employed by the District to construct the Project.

"*Current Bond Resolution*" or "*Resolution*" refer to this Resolution authorizing the Current Bonds.

"*Current Bonds*" refers to the \$479,000 of East Pendleton Water District Waterworks Revenue Bonds, Series 2001 authorized by this Resolution, to be dated as of the date of issuance thereof.

"*Current Sinking Fund*" refers to the East Pendleton Water District Waterworks Sinking Fund of 2001, created in Section 401 of this Resolution.

"*Depository Bank*" refers to the bank, which shall be a member of the FDIC, which bank is United Kentucky Bank, Falmouth, Kentucky, or its successor.

"*Depreciation Fund*" refers to the East Pendleton Water District Waterworks Depreciation Fund, described in Section 402 of this Resolution.

"*District*" refers to the East Pendleton Water District of Pendleton County, Kentucky.

"*Engineers*" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to PDR Engineers, Inc., or a member of said firm, or their successors.

"*Event of Default*" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"*FDIC*" refers to the Federal Deposit Insurance Corporation, or its successors.

"*Fiscal Year*" refers to the annual accounting period of the District, beginning on January 1 and ending on December 31 of each year.

"*Funds*" refers to the Construction Account, the Revenue Fund, the Current Sinking Fund, the Prior Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"*Government*" refers to the United States of America, or any agency thereof, including the RD.

"*Grant Proceeds*" refers to the proceeds of the RD Grant and the CDBG Grant.

*"Independent Consulting Engineer"* refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

*"Interim Lender"* refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

*"KIA Loan"* refers to the outstanding Kentucky Infrastructure Authority Loan to the District, in the original authorized principal amount of \$244,590.

*"Local Counsel"* refers to Wright & Wright, Falmouth, Kentucky, or any other attorney or firm of attorneys designated by the District.

*"Multiple Advances"* refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

*"Note"* refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

*"Operation and Maintenance Fund"* refers to the East Pendleton Water District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

*"Outstanding Bonds"* refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

*"Parity Bonds"* refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

*"Prior Bonds"* refers collectively to the Series 1971 Bonds, the KIA Loan and the Series 1998 Bonds.

*"Prior Bond Resolution"* refers collectively to the 1971 Bond Resolution and the 1998 Bond Resolution.

*"Prior Sinking Fund"* refers to the East Pendleton Water District Waterworks Bond and Interest Sinking Fund, described in Section 401 of this Resolution.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the RD grant described in Section 804 of this Resolution.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairman; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the East Pendleton Water District Waterworks Revenue Fund, described in Section 401 of this Resolution.

"Secretary" refers to the elected or appointed Secretary of the Commission.

"System" refers to the existing waterworks system of the District, together with all extensions, additions and improvements to said System.

"Treasurer" refers to the elected or appointed Treasurer of the Commission.

"U.S. Obligations" refers to 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.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

**Section 102. Purpose.** The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

**Section 103. Construction Award Approved; Work Authorized.** The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

**Section 104. Declaration of Period of Usefulness.** The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

**Section 105. Authorization of Bonds.** The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$1,802,300. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$479,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$1,802,300
Less:		
RD Grant	\$328,000	
CDBG Grant	847,600	
Connection Charges	<u>147,700</u>	
Total Non-Bond Funds:		<u>(1,654,600)</u>
Balance to be financed by Current Bonds		\$479,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$479,000 principal amount of East Pendleton Water District Waterworks Revenue Bonds, Series 2001.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current

Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

**Section 106. Recognition of Prior Bonds.** The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Resolution.

**Section 107. Current Bonds Shall be Payable on Second Lien Basis Out of Gross Revenues.** The Current Bonds, and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a parity solely on a second lien basis out of the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior Bonds.

**Section 108. Lien on Contracts.** In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

## **ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.**

**Section 201. Principal Payments.** Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

**Section 202. Issuance of Current Bonds; Bond Form.** The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

**Section 203. Place of Payment and Manner of Execution.** Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

**Section 204. Provisions as to Prepayment.** Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2011, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2011, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2010, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of \$100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

**ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING;  
APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.**

**Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits.** The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$54,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$54,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

**A. Covenants Applicable if RD Purchases Current Bonds.** It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

**B. Application of Proceeds of Current Bonds.** The proceeds of the Current Bonds shall be applied as follows:

**(1) Payment of Interim Financing, Costs of Project and Costs of Issuance.** Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

**(2) Construction Account.** If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "East Pendleton Water District Waterworks Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said



Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Current Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$147,700 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Current Bonds and Grant Proceeds in order to assure completion of the Project.

**(3) Withdrawal of Funds From Construction Account.** Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairman, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairman (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

**(4) Transfer of Capitalized Interest to Current Sinking Fund.** There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$8,000) during the construction of the Project, as approved by the Engineers and by the RD. 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 Project, such amount so transferred from the Construction Account shall be deposited in the Current Sinking Fund.

**(5) Investment of Funds in Construction Account.** Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of 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 costs of

the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

**(6) Statements of Contractors, Engineers and Attorneys as to Payment.** Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

**(7) Disposition of Balance in Construction Account After Completion of Project.** When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

### **Section 302. Interim Financing Authorization.**

**A. Interim Financing.** The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$479,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$479,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$479,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the

amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

**B. Multiple Advances by RD.** In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairman is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

**Section 303. Arbitrage Limitations on Investment of Proceeds.** The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements

of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

**ARTICLE 4. FLOW OF FUNDS.**

**Section 401. Funds.** There was heretofore created in the Prior Bond Resolution the following funds and accounts:

- (a) East Pendleton Water District Waterworks Revenue Fund
- (b) East Pendleton Water District Waterworks Bond and Interest Sinking Fund
- (c) East Pendleton Water District Waterworks Depreciation Fund
- (d) East Pendleton Water District Waterworks Operation and Maintenance Fund

There is hereby created the East Pendleton Water District Waterworks Sinking Fund of 2001.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding.

**Section 402. Flow of Funds.** All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners 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 Outstanding Bonds, the same as if such provisions and proceedings were set out 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. Revenue Fund.** The District 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 District only for the purpose and in the manner and order of priorities specified in the Prior Bond Resolution, as hereinafter modified by this Resolution, all as permitted by the Act, and in accordance with previous contractual commitments.

**B. Prior Sinking Fund.** 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, 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 all Prior Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior Bonds maturing on the next succeeding principal payment date.

Said Prior Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

**C. Current Sinking Fund.** At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Current Sinking Fund an amount sufficient to provide for capitalized interest (initially estimated at \$8,000) on the Current Bonds during the construction of the Project, 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 Project.

There shall be transferred from the 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:

**D. Depreciation Fund.** Pursuant to the provisions of the Prior Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$245 each month which shall be deposited into the Depreciation Fund until the Current Bonds are paid in full. These deposits are in addition to the requirements of the Prior Bond Ordinance.

As further security for the Bondowners and for the benefit of the District, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Depreciation Fund, there shall be deposited into said Depreciation Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, 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.

**E. 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 District's annual budget.

**F. Monthly Principal and Interest Payments if Requested by the RD.** So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD,

make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

**G. 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 Resolution or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

**H. Investment and Miscellaneous Provisions.** All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in 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 the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository 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 Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. 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. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

All payments into the Funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (20th) day of any month shall be a Saturday, Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All monies held in any of the 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, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.



**Section 403. Current Bonds are Subordinate to the Prior Bonds.** It is hereby certified and declared that the Current Bonds shall be subordinate to the lien and pledge of the Prior Bonds on the gross revenues of the System.

## ARTICLE 5. COVENANTS OF DISTRICT

**Section 501. Rates and Charges.** The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 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 that the annual net revenues (defined as gross revenues less operating 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; Audit.** The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, 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 shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

**Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget.** While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating 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 operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, 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 operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner 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 fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed 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 Owners of the 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 Owners of a majority of the principal amount of the Outstanding 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 improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 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 (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (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 Owner of any of the Outstanding 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 Covenants Applicable So Long as RD Owns Any Bonds.** So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1942-47) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

**Section 506. Insurance on Motors, Tanks and Structures.** The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

## ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

**Section 601. Inferior Bonds.** Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

**Section 602. Parity Bonds to Complete the Project.** The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

- (a) the consent of the RD if the Government is as the Owner of the Prior Bonds at that time or the consent of any other Owners of the Prior Bonds, and
- (b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

**Section 603. Parity Bonds to Finance Future Improvements.** The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operating 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 be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, plus the anticipated debt service 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 additional 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:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and 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 an Independent Consulting Engineer.

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

**Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds.** The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

(a) 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 average annual debt service requirements of the Parity Bonds;

(b) Adjust the minimum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Depreciation Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

**Section 605. Prepayment Provisions Applicable to Parity Bonds.** If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

**Section 606. Consent of the RD Regarding Future Bonds.** Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

**Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities.** The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.



## ARTICLE 7. DEFAULT AND CONSEQUENCES

**Section 701. Events of Default.** The following items shall constitute an Event of Default on the part of the District:

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

**Section 702. Consequences of Event of Default.** Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, 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 operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

The District hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the District's obligations, all contracts and other rights of the District pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. Upon the occurrence of an Event of Default, the Owner of any of the Outstanding Bonds may require the governing body of the District by appropriate order to raise the rates a reasonable amount consistent with the requirements of this Resolution.

**ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL;  
MISCELLANEOUS PROVISIONS.**

**Section 801. Resolution Contractual with Bondowners.** The provisions of this Resolution constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds 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 resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

**Section 802. All Current Bonds are Equal.** The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

**Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited.** So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

**Section 804. Approval and Acceptance of RD Grant Agreement.** The RD has agreed to make a grant to the District in the amount of \$328,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

**Section 805. Approval and Acceptance of CDBG Grant Agreement.** The Department of Housing and Urban Development (the "HUD") has agreed to make a grant to the District in the amount of \$847,600 (the "CDBG Grant"), to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and HUD has requested the District to approve, accept and execute a certain CDBG Grant Agreement (the "CDBG Grant Agreement") setting out the terms and conditions upon which said CDBG Grant will be made. Said CDBG Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said CDBG Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other CDBG Grants offered to the District in connection with the Project and to execute any and all CDBG Grant Agreements and any other documents as may be requested by HUD in connection with CDBG Grants which have been and/or which may hereafter be approved for such Project.

**Section 806. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents.** The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1942-47).
- (e) Agreement for Engineering Services with the Engineers.

**Section 807. Authorization of Condemnation to Acquire Easements and/or Sites.** In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date

of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

## ARTICLE 9. SALE OF CURRENT BONDS

**Section 901. Sale of Current Bonds.** The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

In the event that there is no bid or that all bids are rejected, the District may readvertise the sale pursuant to this Resolution.

**Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed.** In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.

## ARTICLE 10. CONCLUDING PROVISIONS

**Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code.** In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the District as

to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

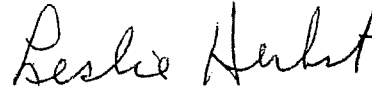
**Section 1002. Severability Clause.** If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

**Section 1003. All Provisions in Conflict Repealed.** All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

**Section 1004. Effective Immediately Upon Adoption.** This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this July 10, 2001.

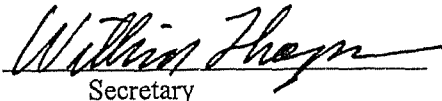
EAST PENDLETON WATER DISTRICT



Chairman

(Seal of District)

Attest:

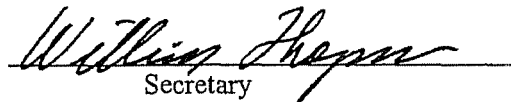
  
Secretary

CERTIFICATION

I, Ralph Nordheim, hereby certify that I am the duly qualified and acting Secretary of the East Pendleton Water District of Pendleton County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on July 10, 2001, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this July 10, 2001.

  
Secretary

(Seal of District)



**EXHIBIT A**

**Schedule of Principal Payments**

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
2004	\$4,000	2023	\$11,000
2005	5,000	2024	12,000
2006	5,000	2025	12,000
2007	5,000	2026	13,000
2008	5,000	2027	14,000
2009	6,000	2028	14,000
2010	6,000	2029	15,000
2011	6,000	2030	16,000
2012	7,000	2031	17,000
2013	7,000	2032	18,000
2014	7,000	2033	18,000
2015	8,000	2034	20,000
2016	8,000	2035	20,000
2017	8,000	2036	22,000
2018	9,000	2037	22,000
2019	9,000	2038	24,000
2020	10,000	2039	25,000
2021	10,000	2040	26,000
2022	11,000	2041	24,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON  
EAST PENDLETON WATER DISTRICT WATERWORKS REVENUE BONDS,  
SERIES 2001

No. R- \_\_\_\_\_ Interest Rate: \_\_\_\_\_ % \$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS:

That the East Pendleton Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Pendleton County, Kentucky, for value received, hereby promises to pay to

\_\_\_\_\_ the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

\_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_ ),

on the first day of January, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973 (the "Prior Bonds"), authorized by a Resolution adopted by the Commission of the District on March 20, 1972 (the "Prior Bond Resolution"); (ii) the outstanding Kentucky Infrastructure Authority Loan (the "KIA Loan"); (iii) the outstanding East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, dated August 1, 1998 (the "Bonds of 1998"), authorized by a Resolution adopted by the Commission of the District on August 4, 1998 (the "1998 Bond Resolution"). Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured on a second lien basis by a pledge of the net revenues to be derived from the operation of the System, after providing for the requirements of the Prior Bonds and the requirements of the Prior Bond Resolution.

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "East Pendleton Water District Waterworks Sinking Fund of 2001", created in the Current Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds and/or this Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or its duly authorized attorney, which transfer shall be noted upon this Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2011, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said East Pendleton Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

EAST PENDLETON WATER DISTRICT  
Pendleton County, Kentucky

By \_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

(Seal of District)

#### PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_

By: \_\_\_\_\_

EXHIBIT C

REQUISITION CERTIFICATE

Re: East Pendleton Water District Waterworks Revenue Bonds, Series 2001 in the amount of \$479,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the East Pendleton Water District (the "District") of Pendleton County, Kentucky.

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$ \_\_\_\_\_, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "East Pendleton Water District Waterworks Construction Account", at the United Kentucky Bank, Falmouth, Kentucky.

4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

EAST PENDLETON WATER DISTRICT

PDR ENGINEERS, INC.

By \_\_\_\_\_  
Chairman

By \_\_\_\_\_  
Registered Professional Engineer  
State of Kentucky No. \_\_\_\_\_

Approved on \_\_\_\_\_

Approved on \_\_\_\_\_

Rural Development

Amount expended heretofore \$ \_\_\_\_\_

By \_\_\_\_\_  
Authorized RD Official

Amount approved herein \_\_\_\_\_

Approved on \_\_\_\_\_

Total \_\_\_\_\_

**EXHIBIT A TO REQUISITION CERTIFICATE**

Name of Entity/Person

Amount



CERTIFICATE OF NO LITIGATION  
AND OF OUTSTANDING BOND ISSUES

Re: East Pendleton Water District Waterworks Revenue Bonds, Series 2001 in the amount of \$479,000

We, Leslie Herbst, Chairman, and William Thompson, Secretary, do hereby certify that we are the officers of the Board of Commissioners (the "Commission") of the East Pendleton Water District (the "District"), constituting the governing body of said District, in Pendleton County, Kentucky.

1. That pursuant to all legal requirements, including the Bond Resolution duly adopted by said Commission on July 10, 2001, there have been heretofore lawfully authorized the negotiable "East Pendleton Water District Waterworks Revenue Bonds, Series 2001" (the "Current Bonds"), in the aggregate principal amount of \$479,000, to be issued in the form of a single or a series of fully registered bond(s), as such purchaser(s) may determine, bearing interest from the date thereof.

2. That pursuant to the provisions of said Resolution, the purchaser thereof, the Rural Development of the Department of Agriculture of the United States of America (the "RD"), duly elected to take delivery of the Current Bonds in the form of a single fully registered bond representing the total authorized issue of Current Bonds, in the principal amount of \$479,000, dated as of the date of delivery of and payment for said Current Bonds, payable to the registered owner (initially the RD), numbered R-1, bearing interest at the rate not to exceed 5.125% per annum. After issuance thereof, interest on the Current Bonds is payable semiannually on January 1 and July 1 in each of the respective years, with principal installments being payable on January 1 in each of the respective years, 2004 through 2041, inclusive, as set out in the maturity schedule contained in said Bond Resolution.

3. That on the date of execution of this Certificate we were, and now are, the duly appointed, qualified, and acting officials indicated in this Certificate, and that we were and now are duly authorized to execute the same.

4. That said Current Bonds, when issued, will be subject to the vested rights and priorities in favor of the owners of certain outstanding Bonds of the District listed as follows:

- (a) the outstanding East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973 (the "Bonds of 1971");
- (b) the outstanding Kentucky Infrastructure Authority Loan (the "KIA Loan"); and
- (c) the outstanding East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, dated August 1, 1998 (the "Bonds of 1998");

and the Bonds of 1971, the KIA Loan, the Bonds of 1998 and the Current Bonds (when issued) represent the only issues of bonds (the "Outstanding Bonds") or obligations of said District

outstanding which by their terms are in any manner secured by or payable from the revenues of the District's waterworks system (the "System") as of the date hereof.

5. That no controversy or litigation is pending, prayed, or threatened involving the creation, organization, existence or boundaries of said District, or the title of any of its officers to their respective positions, or the validity of the Current Bonds, as and when issued, or the power and authority of the District (1) to construct extensions, additions and improvements to its existing System, (2) to own and operate the System, including said extensions, additions and improvements, as a revenue-producing undertaking and (3) to provide and apply adequate revenues from the System for the full and prompt payment of the principal of and interest on the aforesaid Outstanding Bonds and for the cost of operation and maintenance of the System, and that none of the proceedings or authority for the issuance of said Current Bonds have been repealed, revoked, rescinded, modified, changed or altered in any manner.

IN TESTIMONY WHEREOF, we have hereunto affixed our respective official signatures and the Seal of said District, this July 11, 2001.

EAST PENDLETON WATER DISTRICT

By Leslie Herbat  
Chairman

By William Thompson  
Secretary

(Seal of District)

CERTIFICATION OF ATTORNEY FOR DISTRICT

We, Wright & Wright, hereby certify that we are Local Counsel for the East Pendleton Water District, that we have read the foregoing Certificate of No Litigation and of Outstanding Bond Issues, and that all of the facts stated therein are true to the best of our knowledge and belief.

Dated this July 11, 2001.

WRIGHT & WRIGHT  
Falmouth, Kentucky

By William Wright  
By John M. Wright

EAST PENDLETON COUNTY WATER DISTRICT

**USDA Rural Development  
2006 Bonds (\$195,000)**

		PY Balance	Principle	Interest	Payment	YE Balance
2011						\$ 183,500
2012	4.125%	183,500	2,600	7,799	10,399	180,900
2013	4.125%	180,900	2,700	7,689	10,389	178,200
2014	4.125%	178,200	2,900	7,574	10,474	175,300
2015	4.125%	175,300	3,000	7,451	10,451	172,300
2016	4.125%	172,300	3,100	7,323	10,423	169,200
2017	4.125%	169,200	3,200	7,191	10,391	166,000
2018	4.125%	166,000	3,400	7,055	10,455	162,600
2019	4.125%	162,600	3,500	6,911	10,411	159,100
2020	4.125%	159,100	3,700	6,762	10,462	155,400
2021	4.125%	155,400	3,800	6,605	10,405	151,600
2022	4.125%	151,600	4,000	6,443	10,443	147,600
2023	4.125%	147,600	4,200	6,273	10,473	143,400
2024	4.125%	143,400	4,300	6,095	10,395	139,100
2025	4.125%	139,100	4,500	5,912	10,412	134,600
2026	4.125%	134,600	4,700	5,721	10,421	129,900
2027	4.125%	129,900	4,900	5,521	10,421	125,000
2028	4.125%	125,000	5,100	5,313	10,413	119,900
2029	4.125%	119,900	5,300	5,096	10,396	114,600
2030	4.125%	114,600	5,600	4,871	10,471	109,000
2031	4.125%	109,000	5,800	4,633	10,433	103,200
2032	4.125%	103,200	6,000	4,386	10,386	97,200
2033	4.125%	97,200	6,300	4,131	10,431	90,900
2034	4.125%	90,900	6,600	3,864	10,464	84,300
2035	4.125%	84,300	6,900	3,583	10,483	77,400
2036	4.125%	77,400	7,100	3,290	10,390	70,300
2037	4.125%	70,300	7,400	2,988	10,388	62,900
2038	4.125%	62,900	7,800	2,674	10,474	55,100
2039	4.125%	55,100	8,100	2,342	10,442	47,000
2040	4.125%	47,000	8,400	1,998	10,398	38,600
2041	4.125%	38,600	8,800	1,641	10,441	29,800
2042	4.125%	29,800	9,200	1,267	10,467	20,600
2043	4.125%	20,600	9,600	876	10,476	11,000
2044	4.125%	11,000	11,000	468	11,468	-
		<u>183,500</u>	<u>161,746</u>	<u>161,746</u>	<u>345,246</u>	

EAST PENDLETON COUNTY WATER DISTRICT

**USDA Rural Development**

**2006 Bonds (\$100,000)**

		PY Balance	Principle	Interest	Payment	YE Balance
2011						\$ 94,100
2012	4.125%	94,100	1,300	4,127	5,427	92,800
2013	4.125%	92,800	1,400	4,074	5,474	91,400
2014	4.125%	91,400	1,400	4,017	5,417	90,000
2015	4.125%	90,000	1,500	3,960	5,460	88,500
2016	4.125%	88,500	1,600	3,799	5,399	86,900
2017	4.125%	86,900	1,600	3,838	5,438	85,300
2018	4.125%	85,300	1,700	3,772	5,472	83,600
2019	4.125%	83,600	1,800	3,602	5,402	81,800
2020	4.125%	81,800	1,900	3,532	5,432	79,900
2021	4.125%	79,900	1,900	3,558	5,458	78,000
2022	4.125%	78,000	2,000	3,479	5,479	76,000
2023	4.125%	76,000	2,100	3,296	5,396	73,900
2024	4.125%	73,900	2,200	3,213	5,413	71,700
2025	4.125%	71,700	2,300	3,125	5,425	69,400
2026	4.125%	69,400	2,400	3,034	5,434	67,000
2027	4.125%	67,000	2,500	2,937	5,437	64,500
2028	4.125%	64,500	2,600	2,837	5,437	61,900
2029	4.125%	61,900	2,700	2,732	5,432	59,200
2030	4.125%	59,200	2,900	2,522	5,422	56,300
2031	4.125%	56,300	3,000	2,409	5,409	53,300
2032	4.125%	53,300	3,100	2,390	5,490	50,200
2033	4.125%	50,200	3,200	2,264	5,464	47,000
2034	4.125%	47,000	3,400	2,032	5,432	43,600
2035	4.125%	43,600	3,500	1,897	5,397	40,100
2036	4.125%	40,100	3,700	1,757	5,457	36,400
2037	4.125%	36,400	3,900	1,508	5,408	32,500
2038	4.125%	32,500	4,000	1,455	5,455	28,500
2039	4.125%	28,500	4,200	1,293	5,493	24,300
2040	4.125%	24,300	4,400	1,022	5,422	19,900
2041	4.125%	19,900	4,600	847	5,447	15,300
2042	4.125%	15,300	4,800	664	5,464	10,500
2043	4.125%	10,500	5,000	471	5,471	5,500
2044	4.125%	5,500	5,500	241	5,741	-

94,100	85,704	179,804
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BOND RESOLUTION

EAST PENDLETON WATER DISTRICT

AUTHORIZING

EAST PENDLETON WATER DISTRICT

WATERWORKS REVENUE BONDS, SERIES 2006

IN THE PRINCIPAL AMOUNT OF

\$295,000

CONSISTING OF

\$195,000 OF SERIES A BONDS

AND

\$100,000 OF SERIES B BONDS

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EXHIBIT C - Requisition Certificate		

## BOND RESOLUTION

**RESOLUTION OF THE EAST PENDLETON WATER DISTRICT OF PENDLETON COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$295,000 PRINCIPAL AMOUNT OF EAST PENDLETON WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2006, CONSISTING OF \$195,000 OF SERIES A BONDS AND \$100,000 OF SERIES B BONDS FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.**

WHEREAS, the waterworks system (the "System") of the East Pendleton Water District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the District presently has outstanding certain Prior Bonds (as hereinafter defined), which Prior Bonds are payable from and secured by a pledge of the revenues derived from the operation of the System, and

WHEREAS, all of the Prior Bonds presently outstanding are current as to payment of both principal and interest, and for the security of which a certain Sinking Fund and certain reserves are being maintained in the manner and by the means prescribed in the Prior Bond Resolution (as hereinafter defined) of the District, authorizing the Prior Bonds, and

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$295,000, consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by HMB Engineers, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued subject to the vested rights and priorities in favor of the owners of the outstanding Prior Bonds, and

WHEREAS, the Public Service Commission of Kentucky has granted to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$425,000, and by a contribution by the District in the amount of at least \$38,000, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE EAST PENDLETON WATER DISTRICT OF PENDLETON COUNTY, KENTUCKY, AS FOLLOWS:

**ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS;  
SECURITY.**

**Section 101. Definitions.** As used in this Resolution, unless the context requires otherwise:

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

*"Beginning Month"* refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

*"Bond Counsel"* refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

*"Bondowner" or "Owner"* refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

*"Bonds"* collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

*"Bonds of 1971" or "Series 1971 Bonds"* refer to the outstanding East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973, in the original authorized principal amount of \$418,000.

*"Bonds of 1998" or "Series 1998 Bonds"* refer to the outstanding East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, dated August 1, 1998, in the original authorized principal amount of \$1,015,000.

*"Bonds of 2001" or "Series 2001 Bonds"* refer to the outstanding East Pendleton Water District Waterworks Revenue Bonds, Series 2001, dated April 10, 2002, in the original authorized principal amount of \$479,000.

*"Bond Resolution of 1971" or "1971 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1971, duly adopted by the Board of Commissioners of the District on March 20, 1972.

*"Bond Resolution of 1998" or "1998 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1998, duly adopted by the Board of Commissioners of the District on August 4, 1998.

*"Bond Resolution of 2001" or "2001 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2001, duly adopted by the Board of Commissioners of the District on July 10, 2001.

*"Chairman"* refers to the elected or appointed Chairman or Chairperson of the Commission.

*"Code"* refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"*Commission*" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"*Construction Account*" refers to the East Pendleton Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

"*Contractors*" refers to the general contractors who have been employed by the District to construct the Project.

"*Current Bond Resolution*" or "*Resolution*" refer to this Resolution authorizing the Current Bonds.

"*Current Bonds*" refers to the \$295,000 of East Pendleton Water District Waterworks Revenue Bonds, Series 2006, consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds authorized by this Resolution, to be dated as of the date of issuance thereof.

"*Current Sinking Fund*" refers to the East Pendleton Water District Waterworks Sinking Fund of 2006, created in Section 401 of this Resolution.

"*Depository Bank*" refers to the bank, which shall be a member of the FDIC, which bank is United Kentucky Bank, Falmouth, Kentucky, or its successor.

"*Depreciation Fund*" refers to the East Pendleton Water District Depreciation Fund, described in Section 402 of this Resolution.

"*District*" refers to the East Pendleton Water District of Pendleton County, Kentucky.

"*Engineers*" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to HMB Engineers, Inc., or a member of said firm, or their successors.

"*Event of Default*" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"*FDIC*" refers to the Federal Deposit Insurance Corporation, or its successors.

"*Fiscal Year*" refers to the annual accounting period of the District, beginning on January 1, and ending on December 31, of each year.

"*Funds*" refers to the Construction Account, the Revenue Fund, the Current Sinking Fund, the Prior Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"*Government*" refers to the United States of America, or any agency thereof, including RD.

"*Grant Proceeds*" refers to the proceeds of the RD Grant and the KIA Grant.

*"Independent Consulting Engineer"* refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

*"Interim Lender"* refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

*"KIA Grant"* refers to the Kentucky Infrastructure Authority 2020 grant to the District in the original authorized amount of \$300,000.

*"KIA Loan"* refers to the outstanding Kentucky Infrastructure Authority Loan, in the original authorized principal amount of \$155,000.

*"Local Counsel"* refers to Wright & Wright, Falmouth, Kentucky, or any other attorney or firm of attorneys designated by the District.

*"Multiple Advances"* refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

*"Note"* refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

*"Operation and Maintenance Fund"* refers to the East Pendleton Water District Operation and Maintenance Fund described in Section 401 of this Resolution.

*"Outstanding Bonds"* refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

*"Parity Bonds"* refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

*"Prior Bonds"* refers collectively to the Series 1971 Bonds, the KIA Loan, the Series 1998 Bonds, and the Series 2001 Bonds.

*"Prior Bond Resolution"* refers collectively to the 1971 Bond Resolution, the 1998 Bond Resolution and the 2001 Bond Resolution.

"*Prior Sinking Fund*" refers to the East Pendleton Water District Bond and Interest Sinking Fund, described in Section 401 of this Resolution.

"*Project*" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"*Purchaser*" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"*RD*" refers to the Rural Development of the Department of Agriculture of the United States of America.

"*RD Grant*" refers to the RD grant described in Section 804 of this Resolution.

"*Required Signatures*" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairman; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"*Revenue Fund*" refers to the East Pendleton Water District Revenue Fund, described in Section 401 of this Resolution.

"*Secretary*" refers to the elected or appointed Secretary of the Commission.

"*System*" refers to the existing waterworks system of the District, together with all extensions, additions and improvements to said System.

"*Treasurer*" refers to the elected or appointed Treasurer of the Commission.

"*U.S. Obligations*" refers to 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.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

**Section 102. Purpose.** The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

**Section 103. Construction Award Approved; Work Authorized.** The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

**Section 104. Declaration of Period of Usefulness.** The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

**Section 105. Authorization of Bonds.** The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$758,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$295,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$758,000
Less:		
RD Grant	\$125,000	
KIA Grant	300,000	
Connection Charges	<u>38,000</u>	
Total Non-Bond Funds:		<u>(463,000)</u>
Balance to be financed by Current Bonds		\$295,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$295,000 principal amount of East Pendleton Water District Waterworks Revenue Bonds, Series 2006, consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current



Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

**Section 106. Recognition of Prior Bonds.** The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Resolution.

**Section 107. Current Bonds Shall be Payable Out of Gross Revenues.** The Current Bonds, and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a parity solely on a second lien basis out of the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior Bonds.

**Section 108. Lien on Contracts.** In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

## ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

**Section 201. Principal Payments.** Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

**Section 202. Issuance of Current Bonds; Bond Form.** The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

**Section 203. Place of Payment and Manner of Execution.** Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

**Section 204. Provisions as to Prepayment.** Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2016, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2016, shall be subject to prepayment by the District on any date falling on and after January 1, 2015, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of \$100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

**ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING;  
APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.**

**Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits.** The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$70,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$70,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

**A. Covenants Applicable if RD Purchases Current Bonds** It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

**B. Application of Proceeds of Current Bonds.** The proceeds of the Current Bonds shall be applied as follows:

**(1) Payment of Interim Financing, Costs of Project and Costs of Issuance.** Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

**(2) Construction Account.** If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "East Pendleton Water District Waterworks Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim

financing owed by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Current Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$38,000 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Current Bonds and Grant Proceeds in order to assure completion of the Project.

**(3) Withdrawal of Funds From Construction Account.** Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairman, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairman (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

**(4) Transfer of Capitalized Interest to Current Sinking Fund.** There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$4,000) during the construction of the Project, as approved by the Engineers and by the RD. 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 Project, such amount so transferred from the Construction Account shall be deposited in the Current Sinking Fund.

**(5) Investment of Funds in Construction Account.** Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of 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 costs of the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of

the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

**(6) Statements of Contractors, Engineers and Attorneys as to Payment.** Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

**(7) Disposition of Balance in Construction Account After Completion of Project.** When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

#### **Section 302. Interim Financing Authorization.**

**A. Interim Financing.** The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$295,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to

the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$295,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$295,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

**B. Multiple Advances by RD.** In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairman is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

**Section 303. Arbitrage Limitations on Investment of Proceeds.** The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".



**ARTICLE 4. FLOW OF FUNDS.**

**Section 401. Funds.** There was heretofore created in the Prior Bond Resolution the following funds and accounts:

- (a) East Pendleton Water District Revenue Fund
- (b) East Pendleton Water District Bond and Interest Sinking Fund
- (c) East Pendleton Water District Depreciation Fund
- (d) East Pendleton Water District Operation and Maintenance Fund

The is hereby created and established in this Resolution the East Pendleton Water District Waterworks Sinking Fund of 2006.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding.

**Section 402. Flow of Funds.** All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners 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 Outstanding Bonds, the same as if such provisions and proceedings were set out 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. Revenue Fund.** The District 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 District only for the purpose and in the manner and order of priorities specified in the Prior Bond Resolution, as hereinafter modified by this Resolution, all as permitted by the Act, and in accordance with previous contractual commitments.

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

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on all Prior Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior Bonds maturing on the next succeeding principal payment date.

Said Prior Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

**C. Current Sinking Fund.** At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at \$4,000) to provide for capitalized interest during the construction of the Project, 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 Project.

After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly 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 (1/6) of the next succeeding six-month interest payment to become due on the Current Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds, but subject to the vested rights and priorities of the Prior Bonds.

**D. Depreciation Fund.** It is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$135 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$16,200, which amount shall be maintained, and when necessary, restored to said sum of \$16,200, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

As further security for the Bondowners and for the benefit of the District, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Depreciation Fund, there shall be deposited into said Depreciation Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, 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.

**E. 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 District's annual budget.

**F. Monthly Principal and Interest Payments if Requested by the RD.** So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

**G. 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 Resolution or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

**H. Investment and Miscellaneous Provisions.** All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in 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 the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository 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 Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. 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. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

All payments into the Funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (20th) day of any month shall be a Saturday, Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All monies held in any of the 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, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

**Section 403. Current Bonds are Subordinate to the Prior Bonds.** It is hereby certified and declared that the Current Bonds shall be subordinate to the lien and pledge of the Prior Bonds on the gross revenues of the System.

## ARTICLE 5. COVENANTS OF DISTRICT

**Section 501. Rates and Charges.** The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 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 that the annual net revenues (defined as gross revenues less operating 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; Audit.** The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, 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 shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

**Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget.** While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating 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 operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, 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 operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner 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 fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed 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 Owners of the 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 Owners of a majority of the principal amount of the Outstanding 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 improvements that may be made thereto, until all of the Outstanding

Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 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 (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (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 Owner of any of the Outstanding 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 Covenants Applicable So Long as RD Owns Any Bonds.** So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

**Section 506. Insurance on Motors, Tanks and Structures.** The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

## ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

**Section 601. Inferior Bonds.** Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

**Section 602. Parity Bonds to Complete the Project.** The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

- (a) the consent of the RD if the Government is as the Owner of the Prior Bonds at that time or the consent of any other Owners of the Prior Bonds, and
- (b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

**Section 603. Parity Bonds to Finance Future Improvements.** The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:



(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operating 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 be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, plus the anticipated debt service 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 additional 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:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and 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 an Independent Consulting Engineer.

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

**Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds**The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

(a) 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 average annual debt service requirements of the Parity Bonds;

(b) Adjust the minimum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Depreciation Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

**Section 605. Prepayment Provisions Applicable to Parity Bonds.** If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

**Section 606. Consent of the RD Regarding Future Bonds.** Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

**Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities.** The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;
- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year,

plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

## ARTICLE 7. DEFAULT AND CONSEQUENCES

**Section 701. Events of Default.** The following items shall constitute an Event of Default on the part of the District:

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

**Section 702. Consequences of Event of Default.** Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, 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 operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

The District hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the District's obligations, all contracts and other rights of the District pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. Upon the occurrence of an Event of Default, the Owner of any of the Outstanding Bonds may require the governing body of the District by appropriate order to raise the rates a reasonable amount consistent with the requirements of this Resolution.

**ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL;  
MISCELLANEOUS PROVISIONS.**

**Section 801. Resolution Contractual with Bondowners**The provisions of this Resolution constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds 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 resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

**Section 802. All Current Bonds are Equal.** The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

**Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited.** So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

**Section 804. Approval and Acceptance of RD Grant Agreement.** The RD has agreed to make a grant to the District in the amount of \$125,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

**Section 805. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents.** The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

**Section 806. Authorization of Condemnation to Acquire Easements and/or Site**In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites;

provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

## ARTICLE 9. SALE OF CURRENT BONDS

**Section 901. Sale of Current Bonds.** The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

In the event that there is no bid or that all bids are rejected, the District may readvertise the sale pursuant to this Resolution.

**Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed.** In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.



## ARTICLE 10. CONCLUDING PROVISIONS

**Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code.** In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

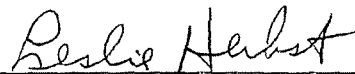
**Section 1002. Severability Clause.** If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

**Section 1003. All Provisions in Conflict Repealed.** All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

**Section 1004. Effective Immediately Upon Adoption.** This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this June 6, 2006.

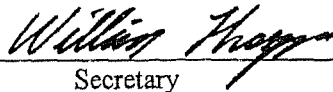
EAST PENDLETON WATER DISTRICT



Chairman

(Seal of District)

Attest:



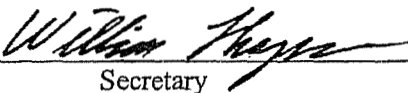
Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the East Pendleton Water District of Pendleton County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on June 6, 2006, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this June 6, 2006.

  
Secretary

(Seal of District)

**EXHIBIT A-1**

**Schedule of Principal Payments on Series A Bonds**

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
2008	\$2,100	2027	\$4,700
2009	2,200	2028	4,900
2010	2,300	2029	5,100
2011	2,400	2030	5,300
2012	2,500	2031	5,600
2013	2,600	2032	5,800
2014	2,700	2033	6,000
2015	2,900	2034	6,300
2016	3,000	2035	6,600
2017	3,100	2036	6,900
2018	3,200	2037	7,100
2019	3,400	2038	7,400
2020	3,500	2039	7,800
2021	3,700	2040	8,100
2022	3,800	2041	8,400
2023	4,000	2042	8,800
2024	4,200	2043	9,200
2025	4,300	2044	9,600
2026	4,500	2045	11,000

**EXHIBIT A-2**

**Schedule of Principal Payments on Series B Bonds**

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
2008	\$1,100	2027	\$2,400
2009	1,100	2028	2,500
2010	1,200	2029	2,600
2011	1,200	2030	2,700
2012	1,300	2031	2,900
2013	1,300	2032	3,000
2014	1,400	2033	3,100
2015	1,400	2034	3,200
2016	1,500	2035	3,400
2017	1,600	2036	3,500
2018	1,600	2037	3,700
2019	1,700	2038	3,900
2020	1,800	2039	4,000
2021	1,900	2040	4,200
2022	1,900	2041	4,400
2023	2,000	2042	4,600
2024	2,100	2043	4,800
2025	2,200	2044	5,000
2026	2,300	2045	5,500

**EXHIBIT B**

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
EAST PENDLETON WATER DISTRICT  
WATERWORKS REVENUE BONDS, SERIES 2006\_\_

No. R-\_\_\_\_\_ Interest Rate: \_\_\_\_\_ % \$ \_\_\_\_\_

KNOW ALL PERSONS BY THESE PRESENTS:

That the East Pendleton Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Pendleton County, Kentucky, for value received, hereby promises to pay to

\_\_\_\_\_ the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

\_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_ ),

on the first day of January, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series     Bond is issued by the District as part of an issue in the aggregate principal amount of \$295,000, consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds,

under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973 (the "1971 Bonds"), authorized by a Resolution adopted by the Commission of the District on March 20, 1972; (ii) Kentucky Infrastructure Authority Loan (the "KIA Loan"); (iii) East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, dated August 1, 1998 (the "1998 Bonds"), authorized by a Resolution adopted by the Commission of the District on August 4, 1998; and (iv) East Pendleton Water District Waterworks Revenue Bonds, Series 2001, dated April 10, 2002 (the "2001 Bonds"), authorized by a Resolution adopted by the Commission of the District on July 10, 2001 [hereinafter the 1971 Bonds, the KIA Loan, the 1998 Bonds and the 2001 Bonds shall be collectively referred to as the "Prior Bonds". Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the Prior Bonds.

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "East Pendleton Water District Sinking Fund of 2006", created in the Current Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Bonds are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Bonds, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Bonds and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future

extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or its duly authorized attorney, which transfer shall be noted upon this Bond and upon the registration book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2015, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.



IN WITNESS WHEREOF said East Pendleton Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

EAST PENDLETON WATER DISTRICT  
Pendleton County, Kentucky

By \_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

(Seal of District)

#### PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_

By: \_\_\_\_\_

EXHIBIT C

REQUISITION CERTIFICATE

Re: East Pendleton Water District Waterworks Revenue Bonds, Series 2006 in the principal amount of \$295,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the East Pendleton Water District (the "District").
2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$ \_\_\_\_\_, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:
3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "East Pendleton Water District Waterworks Construction Account".
4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

East Pendleton Water District

HMB Engineers, Inc.

By \_\_\_\_\_

By \_\_\_\_\_  
Registered Professional Engineer  
State of Kentucky No. \_\_\_\_\_

Approved on \_\_\_\_\_

Approved on \_\_\_\_\_

Rural Development

Amount expended heretofore \$ \_\_\_\_\_

By \_\_\_\_\_  
Authorized RD Official

Amount approved herein \_\_\_\_\_

Approved on \_\_\_\_\_

Total \_\_\_\_\_

**EXHIBIT A TO REQUISITION CERTIFICATE**

Name of Entity/Person

Amount

**CERTIFICATE OF EXECUTION, NO LITIGATION  
AND OF OUTSTANDING BOND ISSUES**

Re: East Pendleton Water District Waterworks Revenue Bonds, Series 2006 in the principal amount of \$295,000, consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds.

We, the undersigned Chairman and Secretary, do hereby certify that we are the officers of the Board of Commissioners (the "Commission") of the East Pendleton Water District (the "District"), constituting the governing body of said District.

1. That pursuant to all legal requirements, including the Bond Resolution duly adopted by said Commission on June 6, 2006, there have been heretofore lawfully authorized the negotiable "East Pendleton Water District Waterworks Revenue Bonds, Series 2006" (the "Current Bonds"), in the aggregate principal amount of \$295,000, in the form of fully registered bonds, as such purchaser(s) may determine, bearing interest from the date thereof, which is the same date as the date of this Certificate.

2. That pursuant to the provisions of said Bond Resolution, the purchaser thereof, USDA, Rural Development "RD"), duly elected to take delivery of said Current Bonds in the form of a single fully registered bond, representing the total authorized issue of Current Bonds, in the principal amount of \$295,000, dated as of the date of this Certificate, which is the date of delivery of and payment for said Current Bonds, payable to the registered owner (initially RD), numbered R-1, bearing interest at the rate set forth in said Current Bonds. Interest on the Current Bonds is payable semiannually on January 1 and July 1, with principal installments being payable on January 1 in each of the respective years, 2008 through 2045, inclusive, as set out in the maturity schedule contained in said Bond Resolution.

3. That said Current Bond has been executed with the genuine signatures of the undersigned Chairman and Secretary, with the corporate seal (the "Seal") of the District duly affixed to said Current Bond by one of us who was then and is now duly authorized to affix said Seal to said Current Bond, and that at that time, a true impression of said Seal was duly affixed to this Certificate at the place indicated below.

4. That on the date of execution of this Certificate we were, and now are, the duly appointed, qualified and acting officials indicated in this Certificate, and that we were and now are duly authorized to execute the same.

5. That said Current Bonds are subject to the vested rights and priorities in favor of the owners of certain outstanding Bonds of the District listed as follows:

- (a) East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973 (the "Bonds of 1971");
- (b) Kentucky Infrastructure Authority Loan (the "KIA Loan");

- (c) East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998 dated August 1, 1998 (the "Bonds of 1998"); and
- (d) East Pendleton Water District Waterworks Revenue Bonds, Series 2001, dated April 10, 2002 (the "Bonds of 2001");

and the Bonds of 1971, KIA Loan, Bonds of 1998, Bonds of 2001 and the Current Bonds represent the only issues of bonds (the "Outstanding Bonds") or obligations of said District outstanding which by their terms are in any manner secured by or payable from the revenues of the District's waterworks system (the "System") as of the date hereof.

6. That no controversy or litigation is pending, prayed or threatened involving the creation, organization, existence or boundaries of said District, or the title of any of its officers to their respective positions, or the validity of the Current Bonds, or the power and authority of the District (1) to construct extensions, additions and improvements to its existing System; (2) to own and operate the System, including said extensions, additions and improvements as a revenue-producing undertaking; and (3) to provide and apply adequate revenues from the System for the full and prompt payment of the principal of and interest on the aforesaid Outstanding Bonds, on a parity, and for the cost of operation and maintenance of the System, and that none of the proceedings or authority for the issuance of said Current Bonds has been repealed, revoked, rescinded, modified, changed or altered in any manner.

IN TESTIMONY WHEREOF, we have hereunto affixed our respective official signatures and the Seal of said District, this February 22, 2007.

EAST PENDLETON WATER DISTRICT

By Reshe Herbst  
Chairman

By William Phay  
Secretary

(Seal of District)

**CERTIFICATION OF ATTORNEY FOR DISTRICT**

We, Wright & Wright, hereby certify that we are Local Counsel for the East Pendleton Water District, that we have read the foregoing Certificate of Execution, No Litigation and of Outstanding Bond Issues, and that all of the facts stated therein are true to the best of our knowledge and belief.

Dated this February 22, 2007.

Wright & Wright  
Falmouth, Kentucky


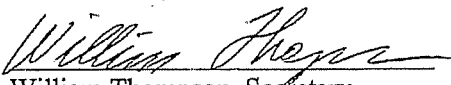
By Judy M. Wright

**CERTIFICATE AS TO OFFICIAL SEAL, INCUMBENCY  
AND SIGNATURE IDENTIFICATION**

Re: East Pendleton Water District Waterworks Revenue Bonds, Series 2006 in the principal amount of \$295,000, consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds.

We, the undersigned Chairman and Secretary of the East Pendleton Water District (the "District"), do hereby certify that the Seal affixed below is the Official Seal of said District.

We further certify that we are the duly elected, qualified and acting officers of said District, as indicated by our signatures set out below; that the following signatures are our true and genuine signatures; and that our terms of office are as hereinafter set out:

<u>Signatures</u>	<u>Beginning of Term Date</u>	<u>Expiration of Term Date</u>
 _____ Leslie Herbst, Chairman	06/14/2005	06/14/2009
 _____ William Thompson, Secretary	06/14/2005	06/14/2009

I further certify that the other member of the Commission and his term is as follows:

<u>Commissioner</u>	<u>Beginning of Term Date</u>	<u>Expiration of Term Date</u>
Ralph Nordheim	06/08/2004	06/08/2007

(Seal of District)



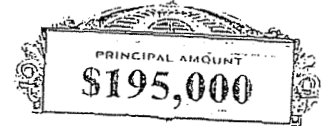
UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON

REGISTERED



**EAST PENDLETON WATER DISTRICT**  
WATERWORKS REVENUE BONDS, SERIES 2006A  
INTEREST RATE: 4.125%

REGISTERED



KNOW ALL PERSONS BY THESE PRESENTS: That the East Pendleton Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Pendleton County, Kentucky, for value received, hereby promises to pay to the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

**ONE HUNDRED NINETY-FIVE THOUSAND DOLLARS (\$195,000)**

on the first day of January, in years and installments as follows:

Year	Principal	Year	Principal	Year	Principal
2008	\$2,100	2021	\$3,700	2034	\$ 6,300
2009	2,200	2022	3,800	2035	6,600
2010	2,300	2023	4,000	2036	6,900
2011	2,400	2024	4,200	2037	7,100
2012	2,500	2025	4,300	2038	7,400
2013	2,600	2026	4,500	2039	7,800
2014	2,700	2027	4,700	2040	8,100
2015	2,900	2028	4,900	2041	8,400
2016	3,000	2029	5,100	2042	8,800
2017	3,100	2030	5,300	2043	9,200
2018	3,200	2031	5,600	2044	9,600
2019	3,400	2032	5,800	2045	10,000
2020	3,500	2033	6,000		

**S P E C I M E N**

and in like manner, solely from said fund to pay interest on the balance of said principal sum from time to time beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series A Bond is issued by the District as part of an issue in the aggregate principal amount of \$295,000, consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds, under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the

"Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

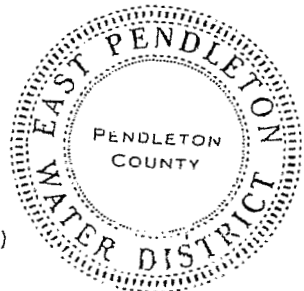
This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973 (the "1971 Bonds"), authorized by a Resolution adopted by the Commission of the District on March 20, 1972; (ii) Kentucky Infrastructure Authority Loan 1, 1998 (the "1998 Bonds"), authorized by a Resolution adopted by the Commission of the District on August 4, 1998; and (iii) East Pendleton Water District Waterworks Revenue Bonds, Series 1998, dated August 4, 1998; (iv) East Pendleton Water District Waterworks Revenue Bonds, Series 2001, dated April 10, 2002 (the "2001 Bonds"), authorized by a Resolution adopted by the Commission of the District on July 10, 2001 (hereinafter the "2001 Bonds"); the KIA Loan, the 1999 Bonds and the 2001 Bonds shall be collectively referred to as the ("Prior Bonds"). Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the Prior Bonds.

[FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF]

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said East Pendleton Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

Attest: \_\_\_\_\_  
Secretary



EAST PENDLETON WATER DISTRICT  
Pendleton County, Kentucky

By: \_\_\_\_\_  
Chairman

Loan  
11-0-11

Sal: 183 500



## BOND SCHEDULE, 5/2/2006

Name of Borrower: East Pendleton Water District			
Amount of Loan	195000	Annual Interest Rate	0.0425
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond	false
Principal Payment Units	100	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2007	1	1	8288	8288	0	195000
2008	1	2	8288	8288	0	195000
2009	1	3	10388	8288	2100	192900
2010	1	4	10399	8199	2200	190700
2011	1	5	10405	8105	2300	188400
2012	1	6	10407	8007	2400	186000
2013	1	7	10405	7905	2500	183500
2014	1	8	10399	7799	2600	180900
2015	1	9	10389	7689	2700	178200
2016	1	10	10474	7574	2900	175300
2017	1	11	10451	7451	3000	172300
2018	1	12	10423	7323	3100	169200
2019	1	13	10391	7191	3200	166000
2020	1	14	10455	7055	3400	162600
2021	1	15	10411	6911	3500	159100
2022	1	16	10462	6762	3700	155400
2023	1	17	10405	6605	3800	151600
2024	1	18	10443	6443	4000	147600
2025	1	19	10473	6273	4200	143400
2026	1	20	10395	6095	4300	139100
2027	1	21	10412	5912	4500	134600
2028	1	22	10421	5721	4700	129900
2029	1	23	10421	5521	4900	125000
2030	1	24	10413	5313	5100	119900
2031	1	25	10396	5096	5300	114600
2032	1	26	10471	4871	5600	109000
2033	1	27	10433	4633	5800	103200
2034	1	28	10386	4386	6000	97200
2035	1	29	10431	4131	6300	90900
2036	1	30	10464	3864	6600	84300
2037	1	31	10483	3583	6900	77400
2038	1	32	10390	3290	7100	70300
2039	1	33	10388	2988	7400	62900
2040	1	34	10474	2674	7800	55100
2041	1	35	10442	2342	8100	47000
2042	1	36	10398	1998	8400	38600
2043	1	37	10441	1641	8800	29800
2044	1	38	10467	1267	9200	20600
2045	1	39	10476	876	9600	11000
2046	1	40	11468	468	11000	0
<b>TOTALS</b>			413826	218826	195000	

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

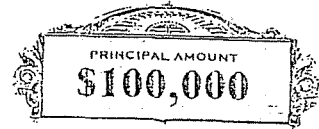
UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
COUNTY OF PENDLETON

REGISTERED



**EAST PENDLETON WATER DISTRICT**  
WATERWORKS REVENUE BONDS, SERIES 2006B  
INTEREST RATE: 4.125%

REGISTERED



KNOW ALL PERSONS BY THESE PRESENTS: That the East Pendleton Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Pendleton County, Kentucky, for value received, hereby promises to pay to the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

**ONE HUNDRED THOUSAND DOLLARS (\$100,000)**

on the first day of January, in years and installments as follows:

Year	Principal	Year	Principal	Year	Principal
2008	\$1,100	2021	\$1,900	2034	\$3,200
2009	1,100	2022	1,900	2035	3,400
2010	1,200	2023	2,000	2036	3,500
2011	1,200	2024	2,100	2037	3,700
2012	1,300	2025	2,200	2038	3,900
2013	1,300	2026	2,300	2039	4,000
2014	1,400	2027	2,400	2040	4,200
2015	1,400	2028	2,500	2041	4,400
2016	1,500	2029	2,600	2042	4,600
2017	1,600	2030	2,700	2043	4,800
2018	1,600	2031	2,800	2044	5,000
2019	1,700	2032	3,000	2045	5,500
2020	1,800	2033	3,100		

and in like manner, solely from said fund to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto; both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series B Bond is issued by the District as part of an issue in the aggregate principal amount of \$295,000, consisting of \$195,000 of Series A Bonds and \$100,000 of Series B Bonds, under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the

"Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

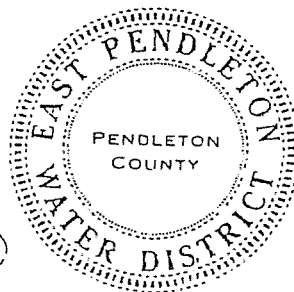
This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) East Pendleton Water District Waterworks Revenue Bonds of 1971, dated March 22, 1973 (the "1971 Bonds"), authorized by a Resolution adopted by the Commission of the District on March 20, 1972; (ii) Kentucky Infrastructure Authority Loan (the "KIA Loan"); (iii) East Pendleton Water District Waterworks Refunding Revenue Bonds, Series 1998, dated August 1, 1998 (the "1998 Bonds"), authorized by a Resolution adopted by the Commission of the District on August 4, 1998; and (iv) East Pendleton Water District Waterworks Revenue Bonds, Series 2001, dated April 10, 2002 (the "2001 Bonds"), authorized by a Resolution adopted by the Commission of the District on July 10, 2001 (hereinafter the "2001 Bonds", the KIA Loan, the 1998 Bonds and the 2001 Bonds shall be collectively referred to as the "Prior Bonds"). Accordingly, this Bond (together with any bonds ranking on a parity herewith) is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the Prior Bonds.

(FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF)

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said East Pendleton Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

Attest: \_\_\_\_\_  
Secretary



EAST PENDLETON WATER DISTRICT  
Pendleton County, Kentucky

By: \_\_\_\_\_  
Chairman

Loar  
9-1-07

Bal = 94,100



BOND SCHEDULE, 5/2/2006

Name of Borrower: East Pendleton Water District			
Amount of Loan	100000	Annual Interest Rate	0.04375
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond	false
Principal Payment Units	100	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2007	1	1	4375	4375	0	100000
2008	1	2	4375	4375	0	100000
2009	1	3	5475	4375	1100	98900
2010	1	4	5427	4327	1100	97800
2011	1	5	5479	4279	1200	96600
2012	1	6	5427	4227	1200	95400
2013	1	7	5474	4174	1300	94100
2014	1	8	5417	4117	1300	92800
2015	1	9	5460	4060	1400	91400
2016	1	10	5399	3999	1400	90000
2017	1	11	5438	3938	1500	88500
2018	1	12	5472	3872	1600	86900
2019	1	13	5402	3802	1600	85300
2020	1	14	5432	3732	1700	83600
2021	1	15	5458	3658	1800	81800
2022	1	16	5479	3579	1900	79900
2023	1	17	5396	3496	1900	78000
2024	1	18	5413	3413	2000	76000
2025	1	19	5425	3325	2100	73900
2026	1	20	5434	3234	2200	71700
2027	1	21	5437	3137	2300	69400
2028	1	22	5437	3037	2400	67000
2029	1	23	5432	2932	2500	64500
2030	1	24	5422	2822	2600	61900
2031	1	25	5409	2709	2700	59200
2032	1	26	5490	2590	2900	56300
2033	1	27	5464	2464	3000	53300
2034	1	28	5432	2332	3100	50200
2035	1	29	5397	2197	3200	47000
2036	1	30	5457	2057	3400	43600
2037	1	31	5408	1908	3500	40100
2038	1	32	5455	1755	3700	36400
2039	1	33	5493	1593	3900	32500
2040	1	34	5422	1422	4000	28500
2041	1	35	5447	1247	4200	24300
2042	1	36	5464	1064	4400	19900
2043	1	37	5471	871	4600	15300
2044	1	38	5470	670	4800	10500
2045	1	39	5460	460	5000	5500
2046	1	40	5741	241	5500	0
<b>TOTALS</b>			<b>215865</b>	<b>115865</b>	<b>100000</b>	

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here

EAST PENDLETON COUNTY WATER DISTRICT

**2013 KIA Loan (\$160,000)**

		PY Balance	Principle	Interest	Payment	YE Balance
2011						-
2012	2.75%	-	-	-	-	\$ 160,000
2013	2.75%	160,000	6,000	4,500	10,500	154,000
2014	2.75%	154,000	6,000	4,500	10,500	148,000
2015	2.75%	148,000	6,000	4,500	10,500	142,000
2016	2.75%	142,000	6,000	4,500	10,500	136,000
2017	2.75%	136,000	6,000	4,500	10,500	130,000
2018	2.75%	130,000	7,000	3,500	10,500	123,000
2019	2.75%	123,000	7,000	3,500	10,500	116,000
2020	2.75%	116,000	7,000	3,500	10,500	109,000
2021	2.75%	109,000	7,000	3,500	10,500	102,000
2022	2.75%	102,000	8,000	2,500	10,500	94,000
2023	2.75%	94,000	8,000	2,500	10,500	86,000
2024	2.75%	86,000	8,000	2,500	10,500	78,000
2025	2.75%	78,000	8,000	2,500	10,500	70,000
2026	2.75%	70,000	8,000	2,500	10,500	62,000
2027	2.75%	62,000	8,000	2,500	10,500	54,000
2028	2.75%	54,000	9,000	1,500	10,500	45,000
2029	2.75%	45,000	9,000	1,500	10,500	36,000
2030	2.75%	36,000	9,000	1,500	10,500	27,000
2031	2.75%	27,000	9,000	1,500	10,500	18,000
2032	2.75%	18,000	9,000	1,500	10,500	9,000
2033	2.75%	9,000	9,000	1,500	10,500	-

<u>160,000</u>	<u>60,500</u>	<u>220,500</u>
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Steve L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**

211 Sower Blvd.  
P.O. Box 615  
Frankfort Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James Gardner  
Vice Chairman

Linda Breathitt  
Commissioner

January 07, 2013

Wayne Lonaker, Manager  
East Pendleton Water District  
601 Woodson Road  
Falmouth, KY 41040

**CERTIFICATE OF SERVICE**

RE: Case No. 2012-00505

I, Jeff Derouen, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on January 07, 2013

\_\_\_\_\_  
Executive Director

JD/rs  
Enclosure

KentuckyUnbridleDSpirit.com



An Equal Opportunity Employer M/F/D

Wayne Lonaker  
Manager  
East Pendleton Water District  
601 Woodson Road  
Falmouth, KY 41040

S. Beth Moore  
P.O. Box 3  
Falmouth, KENTUCKY 41040

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST PENDLETON COUNTY )  
WATER DISTRICT FOR AUTHORITY TO ENTER ) CASE NO. 2012-00505  
INTO A LOAN AGREEMENT WITH THE )  
KENTUCKY INFRASTRUCTURE AUTHORITY )

ORDER

East Pendleton County Water District ("East Pendleton District") has applied to the Commission for approval to enter into an Assistance Agreement with Kentucky Infrastructure Authority ("KIA") to borrow approximately \$160,000.<sup>1</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. East Pendleton District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to 1,915 customers in the Kentucky counties of Bracken, Carroll, and Pendleton.<sup>2</sup>

2. East Pendleton District proposes to execute an Assistance Agreement with KIA to borrow an amount not to exceed \$160,000. The proposed loan will have a 20-year term with an interest rate of 2.75 percent per annum.<sup>3</sup> A loan servicing fee

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<sup>1</sup> East Pendleton District tendered its application on November 21, 2012. In its application, it requested a deviation from 807 KAR 5.001, Section 11(2). On January 7, 2013, the Commission granted this request and accepted the application for filing. No person or entity has sought intervention in this proceeding.

<sup>2</sup> *Annual Report of East Pendleton County Water District to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2011* at 5, 27.

<sup>3</sup> App. ¶ 4. KIA approved East Pendleton District's application for the loan on August 2, 2012. See Minutes of Full Board Meeting (Aug 2, 2012) at 4-5, available at <http://kia.ky.gov/NR/rdonlyres/9C811D48-326E-4912-9274-3F1EBD660A6E/0/kiaboardbook110112REVISED.pdf> (last visited Jan. 1, 2013).



equal to 0.20 percent of the loan's outstanding balance will be due with each interest payment.<sup>4</sup>

3. East Pendleton District will use the proceeds of the proposed loan to refurbish an existing 150,000 water storage tank.<sup>5</sup>

4. East Pendleton District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair East Pendleton District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. East Pendleton District is authorized to enter into the Assistance Agreement with KIA to borrow no more than \$160,000 to be paid over a 20-year period at an interest rate of 2.75 percent per annum.

2. Within 30 days of executing the proposed Assistance Agreement, East Pendleton District shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that East Pendleton District has not previously filed with the Commission.

3. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in East Pendleton District's application.

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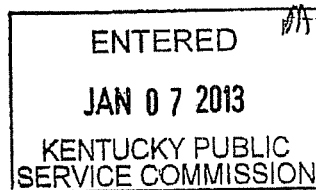
<sup>4</sup> Letter from Sandy Williams, Financial Analyst, Kentucky Infrastructure Authority, to William Thompson, Chairman, East Pendleton County Water District (Aug. 7, 2012) at 2.

<sup>5</sup> This Water Resource Information System has assigned Project Number WX21191002. For a detailed description, see Kentucky Infrastructure Authority Board Meeting Booklet for Aug. 2, 2012 at 68, available at <http://kia.ky.gov/NR/rdoonlyres/5370E49F-DD87-4106-8258-35340E6BBF5B/0/kiaboardbo ok080212.pdf> (last visited Jan. 1, 2013).

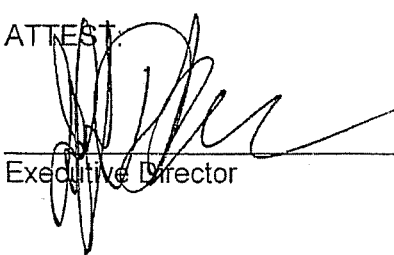
4. Any documents filed pursuant to ordering paragraph 2 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission



ATTEST

  
\_\_\_\_\_  
Executive Director

Case No. 2012-00505



**Steven L. Beshear**  
Governor

**KENTUCKY INFRASTRUCTURE AUTHORITY**

1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601  
Phone (502) 573-0260  
Fax (502) 573-0157  
<http://kia.ky.gov>

**John E. Covington III**  
Executive Director

August 7, 2012

Mr. William Thompson, Chairman  
East Pendleton County Water District  
601 Woodson Road  
Falmouth, KY 41040

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND  
CONDITIONAL COMMITMENT LETTER (B12-05)**

Dear Mr. Thompson:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On August 2, 2012, the Authority approved your loan for the Water Tank Refurbishment project subject to the conditions stated below. The total cost of the project shall not exceed \$160,000 of which the Authority loan shall provide \$160,000 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the East Pendleton County Water District upon satisfactory performance of the conditions set forth in this letter.

A period of twelve months from the date of this letter (8/7/2013) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$160,000.
2. The loan shall bear interest at the rate of 2.75% per annum commencing with the first draw of funds.

Mr. William Thompson  
August 7, 2012  
Page 2

3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

EAST PENDLETON COUNTY WATER DISTRICT

	<b>TOTAL LONG-TERM DEBT</b>				YE Balance
	PY Balance	Principle	Interest	Payment	
2011					\$ 1,482,600
2012	1,482,600	58,400	70,524	128,924	1,584,200
2013	1,584,200	67,100	72,137	139,237	1,517,100
2014	1,517,100	72,300	69,096	141,396	1,444,800
2015	1,444,800	73,500	65,888	139,388	1,371,300
2016	1,371,300	78,700	62,613	141,313	1,292,600
2017	1,292,600	71,300	59,438	130,738	1,221,300
2018	1,221,300	71,100	55,210	126,310	1,150,200
2019	1,150,200	71,300	52,218	123,518	1,078,900
2020	1,078,900	77,600	49,072	126,672	1,001,300
2021	1,001,300	77,700	45,966	123,666	923,600
2022	923,600	85,000	41,500	126,500	838,600
2023	838,600	85,300	37,624	122,924	753,300
2024	753,300	86,500	33,841	120,341	666,800
2025	666,800	91,800	29,750	121,550	575,000
2026	575,000	28,100	25,648	53,748	546,900
2027	546,900	29,400	24,733	54,133	517,500
2028	517,500	30,700	22,760	53,460	486,800
2029	486,800	32,000	21,773	53,773	454,800
2030	454,800	33,500	20,626	54,126	421,300
2031	421,300	34,800	19,515	54,315	386,500
2032	386,500	36,100	18,441	54,541	350,400
2033	350,400	36,500	17,205	53,705	313,900
2034	313,900	30,000	14,351	44,351	283,900
2035	283,900	30,400	12,985	43,385	253,500
2036	253,500	32,800	11,602	44,402	220,700
2037	220,700	33,300	10,006	43,306	187,400
2038	187,400	35,800	8,594	44,394	151,600
2039	151,600	37,300	6,960	44,260	114,300
2040	114,300	38,800	5,158	43,958	75,500
2041	75,500	30,400	3,391	33,791	45,100
2042	45,100	14,000	1,931	15,931	31,100
2043	31,100	14,600	1,347	15,947	16,500
2044	16,500	16,500	709	17,209	-
	-	-	-	-	-
		1,642,600	992,605	2,635,205	

EAST PENDLETON COUNTY WATER DISTRICT  
 TOTAL LONG-TERM DEBT

Year Ending December 31	Principle	Interest	Payment
2012	\$ 58,400	\$ 70,524	\$ 128,924
2013	67,100	72,137	139,237
2014	72,300	69,096	141,396
2015	73,500	65,888	139,388
2016	78,700	62,613	141,313
2017-2021	369,000	261,902	630,902
2022-2026	376,700	168,361	545,061
2027-2031	160,400	109,406	269,806
2032-2036	165,800	74,584	240,384
2037-2041	175,600	34,108	209,708
2042-2044	45,100	3,987	49,087
	<u>\$ 1,642,600</u>	<u>\$ 992,605</u>	<u>\$ 2,635,205</u>

**3-YEAR CALC**

2012	\$ 58,400	\$ 70,524	\$ 128,924
2013	\$ 67,100	\$ 72,137	\$ 139,237
2014	<u>\$ 72,300</u>	<u>\$ 69,096</u>	<u>\$ 141,396</u>
	\$ 197,800	\$ 211,757	\$ 409,556

**3-YEAR AVERAGE** **\$ 136,519**