

JOHN N. HUGHES  
ATTORNEY AT LAW  
PROFESSIONAL SERVICE CORPORATION  
124 WEST TODD STREET  
FRANKFORT, KENTUCKY 40601

TELEPHONE: (502) 227-7270

[JNHUGHES@fewpb.net](mailto:JNHUGHES@fewpb.net)

May 14, 2015

RECEIVED

MAY 14 2015

PUBLIC SERVICE  
COMMISSION

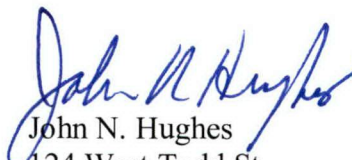
Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

Re: Case No. 2014-00342

Dear Mr. Derouen:

Mountain Water District submits the responses to the staff's questions of the conference held on Monday May 11<sup>th</sup>.

A copy of these responses has been delivered to the Attorney General's Office of Rate Intervention.

  
John N. Hughes  
124 West Todd St.  
Frankfort, KY 40601  
(502) 227 7270  
[jnhughes@fewpb.net](mailto:jnhughes@fewpb.net)

Attorney for Mountain Water District

RECEIVED

MAY 14 2015

PUBLIC SERVICE  
COMMISSION

RESPONSE 1

**CASE:** Mountain Water District  
**CASE NO:** 2014-00342  
**RE:** PSC 4<sup>th</sup> Clarification

**Item 1 from Informal Conference Clarification**

The commission ask for copies of all the loans that UMG pays for Mountain Water Distict.

**WITNESS:** Spears

**RESPONSE:**

Attached are copies of all the notes that UMG pays the monthly payments on Mountain Water District's assets.

During the conference MWD was asked if these notes were all 2 years notes, and our response was that they were. After pulling these notes, MWD did comply with these laws starting in 2012, prior to that the vehicles were financed for 36 or 48 months. We knew that the district was currently doing so and thought that policy was in effect for a longer period of time. We are sorry for the mistake in our comments.

**GL 2300 and 2301**

**Loans are identical amounts and terms.**

Description of Motor Vehicle Purchased Year Make Model 2009 CHEVROLET SILVERADO 2500 VIN 168HK44K19F149421 Lic. No./Year Other:  New  Used

Veh 124  
# 125  
GL 2300  
2301

Description of Trade-In N/A N/A

**SECURITY:** To secure your payment and performance under the terms of this Contract, you give us a security interest in the Vehicle, all accessories, attachments, accessories, and equipment placed in or on the Vehicle, together called Property, and proceeds of the Property. Our interest will not extend to consumer goods unless you acquire rights to them within 10 days after we enter into this Contract, or they are installed in or affixed to the Vehicle.

**PROMISE TO PAY AND PAYMENT TERMS:** You promise to pay us the principal amount of \$ 34406.24, plus finance charges accruing on the unpaid balance at the rate of 4.9900 % per year from today's date until maturity. Finance charges accrue on a 365/365 day basis. After maturity, or after you default and we demand payment, we will earn finance charges on the unpaid balance at 6.9900 % per year. You agree to pay this Contract according to the payment schedule shown in the TRUTH IN LENDING DISCLOSURES. You also agree to pay any additional amounts according to the terms and conditions of this Contract.

**MINIMUM FINANCE CHARGE:** You agree to pay a minimum finance charge of \$ 25.00 if you pay this Contract in full before we have earned that much in finance charges.

**DOWN PAYMENT:** You also agree to pay, or apply to the Cash Price, on or before today's date, any cash, rebate and net trade-in value described in the ITEMIZATION OF AMOUNT FINANCED.  You agree to make deferred payments as part of the cash down payment as reflected in your Payment Schedule.

**TRUTH IN LENDING DISCLOSURES**

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	AMOUNT FINANCED The amount of credit provided to you or on your behalf.	TOTAL OF PAYMENTS The amount you will have paid when you have made all scheduled payments.	TOTAL SALE PRICE The total cost of your purchase on credit, including your down payment of
5.22 %	\$ 3773.88	\$ 34251.24	\$ 38025.12	\$ 0.00
				\$ 38025.12

Payment Schedule: Your payment schedule will be

Number of Payments	Amount of Payments	When Payments Are Due
48	792.19	MONTHLY BEGINNING: 10/25/2009

**Security:** You are giving a security interest in the Motor Vehicle purchased.  
**Late Charges:** If a payment is not received within ten (10) days after it is due, you will be charged a fee of five percent (5%) of that scheduled payment, not to exceed \$25.00.  
**Prepayment:** If you pay off this Contract early, you  may  will not have to pay a Minimum Finance Charge.  
**Contract Provisions:** You can see the terms of this Contract for any additional information about nonpayment, default, any required repayment before the scheduled date, and prepayment refunds and penalties.

**CREDIT INSURANCE:** Credit life, credit health (accident and health), and any other insurance coverage quoted below, are not required to obtain credit and we will not provide them unless you sign and agree to pay the additional premium. If you want such insurance, we will obtain it for you (if you qualify for coverage). We are quoting below ONLY the coverages you have chosen to purchase.

Credit Life: Insured N/A  
 Single  Joint Prem. \$ N/A Term N/A  
 Credit Health: Insured N/A  
 Single  Joint Prem. \$ N/A Term N/A

Your signature below means you want (only) the insurance coverage(s) quoted above. If none are quoted, you have declined any coverages we offered.

Buyer \_\_\_\_\_ d/o/b \_\_\_\_\_ Buyer \_\_\_\_\_ d/o/b \_\_\_\_\_

**PROPERTY INSURANCE:** You must insure the Property securing this Contract. You may freely choose the agent and insurer through or by which your insurance is placed. We will not refuse any adequate insurance policy that you provide. The collision coverage deductible may not exceed \$ 500.00 if you get insurance from or through us you will pay \$ N/A for N/A of coverage.

This premium is calculated as follows:  
 \$ N/A Deductible, Collision Coverage \$ N/A  
 \$ N/A Deductible, Comprehensive Cov. \$ N/A  
 Fire-Theft and Combined Additional Coverage \$ N/A  
 \$ N/A

**Liability insurance coverage for personal liability and property damage caused to others is not included in this Contract unless checked and indicated.**

**SINGLE-INTEREST INSURANCE:** You must purchase single-interest insurance as part of this sale transaction. You may purchase the coverage from a company of your choice, reasonably acceptable to us. If you buy the coverage from or through us, you will pay \$ 65.00 for 48 months of coverage.  
 **SERVICE CONTRACT:** With your purchase of the Vehicle, you agree to purchase a Service Contract to cover N/A

This Service Contract will be in effect for N/A

**ITEMIZATION OF AMOUNT FINANCED**

Vehicle Price (incl. sales tax of \$ <u>1911.24</u> )	\$ <u>33765.24</u>
Service Contract, Paid to:	\$ <u>N/A</u>
Cash Price	\$ <u>33765.24</u>
Manufacturer's Rebate	\$ <u>N/A</u>
Cash/Down Payment	\$ <u>N/A</u>
Deferred Down Payment	\$ <u>N/A</u>
a. Total Cash/Rebate Down	\$ <u>N/A</u>
b. Trade-In Allowance	\$ <u>N/A</u>
c. Less: Amount owing	\$ <u>N/A</u>
Paid to:	\$ <u>N/A</u>
d. Net Trade-In (b. minus c.)	\$ <u>N/A</u>
e. Net Cash/Trade-In (a. plus d.)	\$ <u>N/A</u>
f. Amount to Finance line e. (if e. is negative)	\$ <u>N/A</u>
Down Payment (e., disclose as \$0 if negative)	\$ <u>0.00</u>
Unpaid Balance of Cash Price	\$ <u>33765.24</u>
Paid to Public Officials - Filing Fees	\$ <u>22.00</u>
Insurance Premiums*	\$ <u>N/A</u>
To: Processing Fee to Creditor	\$ <u>155.00</u>
To: SINGLE INTER	\$ <u>65.00</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: WALTERS CHEV CUST SVC FEE	\$ <u>399.00</u>
To: <u>N/A</u>	\$ <u>N/A</u>
Total Other Charges/Amounts Pd. to Others	\$ <u>641.00</u>
Less: Prepaid Finance Charges	\$ <u>155.00</u>
Amount Financed	\$ <u>34251.24</u>

\*We may retain or receive a portion of this amount.

**NOTICE TO THE BUYER**  
 (1) DO NOT SIGN THIS CONTRACT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACES. (2) YOU ARE ENTITLED TO A COPY OF THE CONTRACT YOU SIGN. (3) UNDER THE LAW, YOU HAVE THE RIGHT TO PAY OFF IN ADVANCE THE FULL AMOUNT DUE AND UNDER CERTAIN CONDITIONS TO OBTAIN A PARTIAL REFUND OF THE FINANCE CHARGE. (4) THIS CONTRACT SHALL BECOME EFFECTIVE ONLY WHEN SIGNED AND EXECUTED BY THE BUYER AND SELLER.

BY SIGNING BELOW BUYER AGREES TO THE TERMS ON PAGES 1 AND 2 OF THIS CONTRACT AND ACKNOWLEDGES RECEIPT OF A COPY OF THIS CONTRACT.

PAID OFF  
6/30/14

GL 2303

Description of Year 2011 VIN 1G80KVCG2BZ382986 Other:  
 Motor Vehicle Make CHEVROLET Lic. No./Year  
 Purchased Model SILVERADO 2500  New  Used

V. 134 E  
 GL 2303  
 GL 2305

Description of Trade-In N/A N/A

**SECURITY:** To secure your payment and performance under the terms of this Contract, you give us a security interest in the Vehicle, all accessories, attachments, accessories, and equipment placed in or on the Vehicle, together called Property, and proceeds of the Property. Our interest will not extend to consumer goods unless you acquire rights to them within 10 days after we enter into this Contract, or they are installed in or affixed to the Vehicle.

**PROMISE TO PAY AND PAYMENT TERMS:** You promise to pay us the principal amount of \$ 30260.20, plus finance charges accruing on the unpaid balance at the rate of 4.4900 % per year from today's date until maturity. Finance charges accrue on a 365/365 day basis. After maturity, or after you default and we demand payment, we will earn finance charges on the unpaid balance at 6.4900 % per year. You agree to pay this Contract according to the payment schedule shown in the TRUTH IN LENDING DISCLOSURES. You also agree to pay any additional amounts according to the terms and conditions of this Contract.

**MINIMUM FINANCE CHARGE:** You agree to pay a minimum finance charge of \$ 25.00 if you pay this Contract in full before we have earned that much in finance charges.

**DOWN PAYMENT:** You also agree to pay, or apply to the Cash Price, on or before today's date, any cash, rebate and net trade-in value described in the ITEMIZATION OF AMOUNT FINANCED.  You agree to make deferred payments as part of the cash down payment as reflected in your Payment Schedule.

**TRUTH IN LENDING DISCLOSURES**

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	AMOUNT FINANCED The amount of credit provided to you or on your behalf.	TOTAL OF PAYMENTS The amount you will have paid when you have made all scheduled payments.	TOTAL SALE PRICE The total cost of your purchase on credit, including your down payment of
4.75 %	\$ 3010.00	\$ 30105.20	\$ 33115.20	\$ 0.00
				\$ 33115.20

Payment Schedule: Your payment schedule will be

Number of Payments	Amount of Payments	When Payments Are Due
48	689.90	MONTHLY BEGINNING: 08/13/2011

**Security:** You are giving a security interest in the Motor Vehicle purchased.

**Late Charges:** If a payment is not received within ten (10) days after it is due, you will be charged a fee of five percent (5%) of that scheduled payment, not to exceed \$25.00.

**Prepayment:** If you pay off this Contract early, you  may  will not have to pay a Minimum Finance Charge.

**Contract Provisions:** You can see the terms of this Contract for any additional information about nonpayment, default, any required repayment before the scheduled date, and prepayment refunds and penalties.

**CREDIT INSURANCE:** Credit life, credit health (accident and health), and any other insurance coverage quoted below, are not required to obtain credit and we will not provide them unless you sign and agree to pay the additional premium. If you want such insurance, we will obtain it for you (if you qualify for coverage). We are quoting below ONLY the coverages you have chosen to purchase.

Credit Life: Insured N/A  
 Single  Joint Prem. \$ N/A Term N/A  
 Credit Health: Insured N/A  
 Single  Joint Prem. \$ N/A Term N/A

Your signature below means you want (only) the insurance coverage(s) quoted above. If none are quoted, you have declined any coverages we offered.

Buyer d/o/b Buyer d/o/b

**PROPERTY INSURANCE:** You must insure the Property securing this Contract. You may freely choose the agent and insurer through or by which your insurance is placed. We will not refuse any adequate insurance policy that you provide. The collision coverage deductible may not exceed \$ 500.00 if you get insurance from or through us you will pay \$ N/A for N/A of coverage.

This premium is calculated as follows:  
 \$ N/A Deductible, Collision Coverage \$ N/A  
 \$ N/A Deductible, Comprehensive Cov. \$ N/A  
 Fire-Theft and Combined Additional Coverage \$ N/A  
 N/A \$ N/A

Liability insurance coverage for personal liability and property damage caused to others is not included in this Contract unless checked and indicated.

**SINGLE-INTEREST INSURANCE:** You must purchase single-interest insurance as part of this sale transaction. You may purchase the coverage from a company of your choice, reasonably acceptable to us, if you buy the coverage from or through us, you will pay \$ 65.00 for 48 MOS of coverage.  
 **SERVICE CONTRACT:** With your purchase of the Vehicle, you agree to purchase a Service Contract to cover N/A

N/A. This Service Contract will be in effect for N/A

**ITEMIZATION OF AMOUNT FINANCED**

Vehicle Price (incl. sales tax of \$ <u>N/A</u> )	\$ 30018.20
Service Contract, Paid to: <u>N/A</u>	\$ <u>N/A</u>
Cash Price	\$ 30018.20
Manufacturer's Rebate \$ <u>N/A</u>	
Cash Down Payment \$ <u>N/A</u>	
Deferred Down Payment \$ <u>N/A</u>	
a. Total Cash/Rebate Down	\$ <u>N/A</u>
b. Trade-In Allowance \$ <u>N/A</u>	
c. Less: Amount Owning \$ <u>N/A</u>	
Paid to: <u>N/A</u>	
d. Net Trade-In (b. minus c.)	\$ <u>N/A</u>
e. Net Cash/Trade-In (a. plus d.)	\$ <u>N/A</u>
f. Amount to Finance line e. (if e. is negative)	\$ <u>N/A</u>
Down Payment (e; disclose as \$0 if negative)	\$ 0.00
Unpaid Balance of Cash Price	\$ 30018.20
Paid to Public Officials - Filing Fees	\$ 22.00
Insurance Premiums*	\$ <u>N/A</u>
To: Processing Fee to Creditor	\$ 155.00
To: SINGLE INTER	\$ 65.00
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
Total Other Charges/Amounts Pd. to Others	\$ 242.00
Less: Prepaid Finance Charges	\$ 155.00
Amount Financed	\$ 30105.20

\*We may retain or receive a portion of this amount.

**NOTICE TO THE BUYER**

(1) DO NOT SIGN THIS CONTRACT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACES. (2) YOU ARE ENTITLED TO A COPY OF THE CONTRACT YOU SIGN. (3) UNDER THE LAW, YOU HAVE THE RIGHT TO PAY OFF IN ADVANCE THE FULL AMOUNT DUE AND UNDER CERTAIN CONDITIONS TO OBTAIN A PARTIAL REFUND OF THE FINANCE CHARGE. (4) THIS CONTRACT SHALL BECOME EFFECTIVE ONLY WHEN SIGNED AND EXECUTED BY THE BUYER AND SELLER.

BY SIGNING BELOW BUYER AGREES TO THE TERMS ON PAGES 1 AND 2 OF THIS CONTRACT AND ACKNOWLEDGES RECEIPT OF A COPY OF THIS CONTRACT.

GL 2304



Description of Motor Vehicle Purchased Year Make Model 2011 NISSAN FRONTIER VIN 1N6AD0CW9BC442184 Lic. No./Year  New  Used Other:

V. 135  
GL 2304

Description of Trade-In N/A N/A

**SECURITY:** To secure your payment and performance under the terms of this Contract, you give us a security interest in the Vehicle, all accessories, attachments, accessories, and equipment placed in or on the Vehicle, together called Property, and proceeds of the Property. Our interest will not extend to consumer goods unless you acquire rights to them within 10 days after we enter into this Contract, or they are installed in or affixed to the Vehicle.

**PROMISE TO PAY AND PAYMENT TERMS:** You promise to pay us the principal amount of \$ 22742.69, plus finance charges accruing on the unpaid balance at the rate of 4.5000 % per year from today's date until maturity. Finance charges accrue on a 365/365 day basis. After maturity, or after you default and we demand payment, we will earn finance charges on the unpaid balance at 6.5000 % per year. You agree to pay this Contract according to the payment schedule shown in the TRUTH IN LENDING DISCLOSURES. You also agree to pay any additional amounts according to the terms and conditions of this Contract.

**MINIMUM FINANCE CHARGE:** You agree to pay a minimum finance charge of \$ 25.00 if you pay this Contract in full before we have earned that much in finance charges.

**DOWN PAYMENT:** You also agree to pay, or apply to the Cash Price, on or before today's date, any cash, rebate and net trade-in value described in the ITEMIZATION OF AMOUNT FINANCED.  You agree to make deferred payments as part of the cash down payment as reflected in your Payment Schedule.

**TRUTH IN LENDING DISCLOSURES**

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	AMOUNT FINANCED The amount of credit provided to you or on your behalf.	TOTAL OF PAYMENTS The amount you will have paid when you have made all scheduled payments.	TOTAL SALE PRICE The total cost of your purchase on credit, including your down payment of
4.95 %	\$ 1812.03	\$ 22587.69	\$ 24399.72	\$ 3000.00 \$ 27399.72

Payment Schedule: Your payment schedule will be

Number of Payments	Amount of Payments	When Payments Are Due
36	677.77	MONTHLY BEGINNING: 11/03/2011

**Security:** You are giving a security interest in the Motor Vehicle purchased.  
**Late Charges:** If a payment is not received within ten (10) days after it is due, you will be charged a fee of five percent (5%) of that scheduled payment, not to exceed \$25.00.  
**Prepayment:** If you pay off this Contract early, you  may  will not have to pay a Minimum Finance Charge.  
**Contract Provisions:** You can see the terms of this Contract for any additional information about nonpayment, default, any required repayment before the scheduled date, and prepayment refunds and penalties.

**CREDIT INSURANCE:** Credit life, credit health (accident and health), and any other insurance coverage quoted below, are not required to obtain credit and we will not provide them unless you sign and agree to pay the additional premium. If you want such insurance, we will obtain it for you (if you qualify for coverage). We are quoting below ONLY the coverages you have chosen to purchase.

**Credit Life:** Insured N/A  
 Single  Joint Prem. \$ N/A Term N/A  
**Credit Health:** Insured N/A  
 Single  Joint Prem. \$ N/A Term N/A

Your signature below means you want (only) the insurance coverage(s) quoted above. If none are quoted, you have declined any coverages we offered.

Buyer \_\_\_\_\_ d/o/b Buyer \_\_\_\_\_ d/o/b

**PROPERTY INSURANCE:** You must insure the Property securing this Contract. You may freely choose the agent and insurer through or by which your insurance is placed. We will not refuse any adequate insurance policy that you provide. The collision coverage deductible may not exceed \$ 500.00. If you get insurance from or through us you will pay \$ \_\_\_\_\_ for \_\_\_\_\_ of coverage.

This premium is calculated as follows:  
 \$ N/A Deductible, Collision Coverage \$ N/A  
 \$ N/A Deductible, Comprehensive Cov. \$ N/A  
 Fire-Theft and Combined Additional Coverage \$ N/A  
 \_\_\_\_\_ \$ \_\_\_\_\_

**Liability insurance coverage for personal liability and property damage caused to others is not included in this Contract unless checked and indicated.**

**SINGLE-INTEREST INSURANCE:** You must purchase single-interest insurance as part of this sale transaction. You may purchase the coverage from a company of your choice, reasonably acceptable to us. If you buy the coverage from or through us, you will pay \$ 65.00 for 36 MOS of coverage.  
 **SERVICE CONTRACT:** With your purchase of the Vehicle, you agree to purchase a Service Contract to cover \_\_\_\_\_  
N/A

\_\_\_\_\_ . This Service Contract will be in effect for \_\_\_\_\_

**ITEMIZATION OF AMOUNT FINANCED**

Vehicle Price (incl. sales tax of \$ <u>N/A</u> )	\$ <u>25483.69</u>
Service Contract, Paid to _____	\$ <u>N/A</u>
	Cash Price \$ <u>25483.69</u>
Manufacturer's Rebate	\$ <u>3000.00</u>
Cash-Down Payment	\$ <u>N/A</u>
Deferred Down Payment	\$ <u>N/A</u>
a. Total Cash/Rebate Down	\$ <u>3000.00</u>
b. Trade-In Allowance	\$ <u>N/A</u>
c. Less: Amount owing	\$ <u>N/A</u>
Paid to: <u>N/A</u>	
d. Net Trade-In (b. minus c.)	\$ <u>N/A</u>
e. Net Cash/Trade-In (a. plus d.)	\$ <u>3000.00</u>
f. Amount-to-Finance line e. (if e. is negative)	\$ <u>N/A</u>
Down Payment (e.; disclose as \$0 if negative)	\$ <u>3000.00</u>
Unpaid Balance of Cash Price	\$ <u>22483.69</u>
Paid to Public Officials - Filing Fees	\$ <u>39.00</u>
Insurance Premiums*	\$ <u>N/A</u>
To: Processing Fee to Creditor	\$ <u>155.00</u>
To: SINGLE INTEREST INS	\$ <u>65.00</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
Total Other Charges/Amounts Pd. to Others	\$ <u>259.00</u>
Less: Prepaid Finance Charges	\$ <u>155.00</u>
Amount Financed	\$ <u>22587.69</u>

\*We may retain or receive a portion of this amount.

**NOTICE TO THE BUYER**

(1) DO NOT SIGN THIS CONTRACT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACES. (2) YOU ARE ENTITLED TO A COPY OF THE CONTRACT YOU SIGN. (3) UNDER THE LAW, YOU HAVE THE RIGHT TO PAY OFF IN ADVANCE THE FULL AMOUNT DUE AND UNDER CERTAIN CONDITIONS TO OBTAIN A PARTIAL REFUND OF THE FINANCE CHARGE. (4) THIS CONTRACT SHALL BECOME EFFECTIVE ONLY WHEN SIGNED AND EXECUTED BY THE BUYER AND SELLER.

BY SIGNING BELOW BUYER AGREES TO THE TERMS ON PAGES 1 AND 2 OF THIS CONTRACT AND ACKNOWLEDGES RECEIPT OF A COPY OF THIS CONTRACT.

MOUNTAIN WATER DISTRICT BY \_\_\_\_\_

GL 2305

Loan is identical amount and term as GL 2303

GL 2306

Description of Motor Vehicle Purchased Year Make Model 2012 CHEVROLET COLORADO VIN 1GCJTBF98C8121913 Lic. No./Year  New  Used Other:

veh 137  
2306

Description of Trade-In N/A

**SECURITY:** To secure your payment and performance under the terms of this Contract, you give us a security interest in the Vehicle, all accessories, attachments, accessories, and equipment placed in or on the Vehicle, together called Property, and proceeds of the Property. Our interest will not extend to consumer goods unless you acquire rights to them within 10 days after we enter into this Contract, or they are installed in or affixed to the Vehicle.

**PROMISE TO PAY AND PAYMENT TERMS:** You promise to pay us the principal amount of \$ 20865.16, plus finance charges accruing on the unpaid balance at the rate of 2.9900 % per year from today's date until maturity. Finance charges accrue on a 365/365 day basis. After maturity, or after you default and we demand payment, we will earn finance charges on the unpaid balance at 4.9900 % per year. You agree to pay this Contract according to the payment schedule shown in the TRUTH IN LENDING DISCLOSURES. You also agree to pay any additional amounts according to the terms and conditions of this Contract.

**MINIMUM FINANCE CHARGE:** You agree to pay a minimum finance charge of \$ 25.00 if you pay this Contract in full before we have earned that much in finance charges.

**DOWN PAYMENT:** You also agree to pay, or apply to the Cash Price, on or before today's date, any cash, rebate and net trade-in value described in the ITEMIZATION OF AMOUNT FINANCED.  You agree to make deferred payments as part of the cash down payment as reflected in your Payment Schedule.

**TRUTH IN LENDING DISCLOSURES**

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	AMOUNT FINANCED The amount of credit provided to you or on your behalf.	TOTAL OF PAYMENTS The amount you will have paid when you have made all scheduled payments.	TOTAL SALE PRICE The total cost of your purchase on credit, including your down payment of
3.36 %	\$ 1453.36	\$ 20710.16	\$ 22163.52	\$ 22163.52

**Payment Schedule:** Your payment schedule will be

Number of Payments	Amount of Payments	When Payments Are Due
48	461.74	MONTHLY BEGINNING: 12/16/2011

**Security:** You are giving a security interest in the Motor Vehicle purchased.  
**Late Charges:** If a payment is not received within ten (10) days after it is due, you will be charged a fee of five percent (5%) of that scheduled payment, not to exceed \$25.00.  
**Prepayment:** If you pay off this Contract early, you  may  will not have to pay a Minimum Finance Charge.  
**Contract Provisions:** You can see the terms of this Contract for any additional information about nonpayment, default, any required repayment before the scheduled date, and prepayment refunds and penalties.

**CREDIT INSURANCE:** Credit life, credit health (accident and health), and any other insurance coverage quoted below, are not required to obtain credit and we will not provide them unless you sign and agree to pay the additional premium. If you want such insurance, we will obtain it for you (if you qualify for coverage). We are quoting below ONLY the coverages you have chosen to purchase.

Credit Life: Insured N/A  
 Single  Joint Prem. \$ N/A Term N/A  
 Credit Health: Insured N/A  
 Single  Joint Prem. \$ N/A Term N/A

Your signature below means you want (only) the insurance coverage(s) quoted above. If none are quoted, you have declined any coverages we offered.

Buyer d/o/b Buyer d/o/b

**PROPERTY INSURANCE:** You must insure the Property securing this Contract. You may freely choose the agent and insurer through or by which your insurance is placed. We will not refuse any adequate insurance policy that you provide. The collision coverage deductible may not exceed \$ 500.00 If you get insurance from or through us you will pay \$ N/A for N/A of coverage.

This premium is calculated as follows:  
 \$ N/A Deductible, Collision Coverage \$ N/A  
 \$ N/A Deductible, Comprehensive Cov. \$ N/A  
 Fire-Theft and Combined Additional Coverage \$ N/A  
 N/A \$ N/A

**Liability insurance coverage for personal liability and property damage caused to others is not included in this Contract unless checked and indicated.**

**SINGLE-INTEREST INSURANCE:** You must purchase single-interest insurance as part of this sale transaction. You may purchase the coverage from a company of your choice, reasonably acceptable to us, if you buy the coverage from or through us, you will pay \$ 65.00 for 48 MO of coverage.

**SERVICE CONTRACT:** With your purchase of the Vehicle, you agree to purchase a Service Contract to cover N/A

This Service Contract will be in effect for N/A

**ITEMIZATION OF AMOUNT FINANCED**

Vehicle Price (incl. sales tax of \$ <u>N/A</u> )	\$ <u>20623.16</u>
Service Contract, Paid to:	\$ <u>N/A</u>
Cash Price	\$ <u>20623.16</u>
Manufacturer's Rebate	\$ <u>N/A</u>
Cash Down Payment	\$ <u>N/A</u>
Deferred Down Payment	\$ <u>N/A</u>
a. Total Cash/Rebate Down	\$ <u>N/A</u>
b. Trade-In Allowance	\$ <u>N/A</u>
c. Less: Amount owing	\$ <u>N/A</u>
Paid to:	<u>N/A</u>
d. Net Trade-In (b. minus c.)	\$ <u>N/A</u>
e. Net Cash/Trade-In (a. plus d.)	\$ <u>N/A</u>
f. Amount to Finance line a. (if e. is negative)	\$ <u>N/A</u>
Down Payment (e.; disclose as \$0 if negative)	\$ <u>0.00</u>
Unpaid Balance of Cash Price	\$ <u>20623.16</u>
Paid to Public Officials - Filing Fees	\$ <u>22.00</u>
Insurance Premiums*	\$ <u>N/A</u>
To: Processing Fee to Creditor	\$ <u>155.00</u>
To: <u>SINGLE INTER</u>	\$ <u>65.00</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
To: <u>N/A</u>	\$ <u>N/A</u>
Total Other Charges/Amounts Pd. to Others	\$ <u>242.00</u>
Less: Prepaid Finance Charges	\$ <u>155.00</u>
Amount Financed	\$ <u>20710.16</u>

\*We may retain or receive a portion of this amount.

**NOTICE TO THE BUYER**  
 (1) DO NOT SIGN THIS CONTRACT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACES. (2) YOU ARE ENTITLED TO A COPY OF THE CONTRACT YOU SIGN. (3) UNDER THE LAW, YOU HAVE THE RIGHT TO PAY OFF IN ADVANCE THE FULL AMOUNT DUE AND UNDER CERTAIN CONDITIONS TO OBTAIN A PARTIAL REFUND OF THE FINANCE CHARGE. (4) THIS CONTRACT SHALL BECOME EFFECTIVE ONLY WHEN SIGNED AND EXECUTED BY THE BUYER AND SELLER.

BY SIGNING BELOW BUYER AGREES TO THE TERMS ON PAGES 1 AND 2 OF THIS CONTRACT AND ACKNOWLEDGES RECEIPT OF A COPY OF THIS CONTRACT.

*Mountain Water District*  
11/16/2011

finance charge or fee that is contrary to this provision, we will, instead, apply it first to reduce the principal balance, and when the principal has been paid in full, refund it to you.

You understand and agree that we (or our affiliates) will earn commissions or fees on any insurance products, and may earn such fees on other services that you buy through us or our affiliate.

If any section or provision of this Contract is not enforceable, the other terms will remain part of this Contract.

**PREPAYMENT:** You may prepay this Contract in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until you pay in full.

A refund of any prepaid, unearned insurance premiums may be obtained from us or from the insurance company named in your policy or certificate of insurance.

**RETURNED CHECK FEE/DISHONORED ITEM FEE:** If any payment you make is returned unpaid by the paying institution, you will be charged a fee equal to the Bank's returned check fee then in effect.

**NOTE RATE INCREASE:** This note's interest rate will be increased by 2% per annum over the stated rate if any payment is not received within 30 days of its due date. The interest rate will not go above that allowed by law. The interest rate increase will result in an outstanding principal balance at the time of maturity of this contract.

**OWNERSHIP AND DUTIES TOWARD PROPERTY:** By giving us a security interest in the Property, you represent and agree to the following:

- You will defend our interests in the Property against claims made by anyone else. You will do whatever is necessary to keep our claim to the Property ahead of the claim of anyone else.
- The security interest you are giving us in the Property comes ahead of the claim of any other of your general or secured creditors. You agree to sign any additional documents or provide us with any additional information we may require to keep our claim to the Property ahead of the claim of anyone else. You will not do anything to change our interest in the Property.
- You will keep the Property in your possession in good condition and repair. You will use the Property for its intended and lawful purposes. Unless otherwise agreed in writing, the Property will be located at your address listed on page 1 of this Contract.
- You will not attempt to sell the Property (unless it is properly identified inventory) or otherwise transfer any rights in the Property to anyone else, without our prior written consent.
- You will pay all taxes and assessments on the Property as they become due.
- You will notify us of any loss or damage to the Property. You will provide us reasonable access to the Property for the purpose of inspection. Our entry and inspection must be accomplished lawfully, and without breaching the peace.

**DEFAULT:** You will be in default on this Contract if any one of the following occurs (except as prohibited by law):

- You fail to perform any obligation that you have undertaken in this Contract.
- We, in good faith, believe that you cannot, or will not, pay or perform the obligations you have agreed to in this Contract.

If you default, you agree to pay our costs for collecting amounts owing, including, without limitation, court costs and fees for repossession, repair, storage and sale of the Property securing this Contract. If we refer this Contract to an attorney that is not a salaried employee of ours, this amount includes reasonable attorneys' fees to the extent actually paid or agreed to be paid.

If an event of default occurs as to any one of you, we may exercise our remedies against any or all of you.

**REMEDIES:** If you are in default on this Contract, we have all of the remedies provided by law and this Contract:

- We may require you to immediately pay us, subject to any refund required by law, the remaining unpaid balance of the amount financed, finance charges and all other agreed charges.
- We may pay taxes, assessments, or other liens or make repairs to the Property if you have not done so. We are not required to do so. Any amount we pay will be added to the amount you owe us and will be due immediately. This amount will earn finance charges from the date paid at the post-maturity rate described in the PROMISE TO PAY AND PAYMENT TERMS section until paid in full.
- We may require you to make the Property available to us at a place we designate that is reasonably convenient to you and us.
- We may immediately take possession of the Property by legal process or self-help, but in doing so we may not breach the peace or unlawfully enter onto your premises. We may then sell the Property and apply what we receive as provided by law to our reasonable expenses and then toward your obligations.

#### ASSIGNMENT BY SELLER

Seller sells and assigns this Retail Installment Contract and Security Agreement, (Contract), to the Assignee. Its successors and assigns, including all its rights, title and interest in this Contract, and any guarantee executed in connection with this Contract. Seller gives Assignee full power, either in its own name or in Seller's name, to take all legal or other actions which Seller could have taken under this Contract. (SEPARATE AGREEMENT: If this Assignment is made "under the terms of a separate agreement" as indicated on page 1, the terms of this assignment are described in a separate writing(s) and not as provided below.)

Seller warrants:

- This Contract represents a sale by Seller to Buyer on a time price basis and not on a cash basis.
- The statements contained in this Contract are true and correct.
- The down payment was made by the Buyer in the manner stated on page 1 of this Contract and, except for the application of any manufacturer's rebate, no part of the down payment was loaned or paid to the Buyer by Seller or Seller's representatives.
- This sale was completed in accordance with all applicable federal and state laws and regulations.
- This Contract is valid and enforceable in accordance with its terms.
- The names and signatures on this Contract are not forged, fictitious or assumed, and are true and correct.
- This Contract is vested in the Seller free of all liens, is not subject to any claims or defenses of the Buyer, and may be sold or assigned by the Seller.
- A completely filled-in copy of this Contract was delivered to the Buyer at the time of execution.
- The Vehicle has been delivered to the Buyer in good condition and has been accepted by Buyer.
- Seller has or will perfect a security interest in the Property in favor of the Assignee.

If any of these warranties is breached or untrue, Seller will, upon Assignee's demand, purchase this Contract from Assignee. The purchase shall be in cash in the amount of the unpaid balance (including finance charges) plus the costs and expenses of Assignee, including attorneys' fees.

Seller will indemnify Assignee for any loss sustained by it because of judicial setoff or as the result of a recovery made against Assignee

such other period of time as is required by law).

You agree that, subject to your right to recover such property, we may take possession of personal property left in or on the Property securing this Contract and taken into possession as provided above.

**INSURANCE:** You agree to buy property insurance on the Property protecting against loss and physical damage and subject to a maximum deductible amount indicated in the PROPERTY INSURANCE section, or as we will otherwise require. You will name us as loss payee on any such policy. In the event of loss or damage to the Property, we may require additional security or assurances of payment before we allow insurance proceeds to be used to repair or replace the Property. You agree that if the insurance proceeds do not cover the amounts you still owe us, you will pay the difference. You may purchase or provide the insurance through any insurance company reasonably acceptable to us. You will keep the insurance in full force and effect until this Contract is paid in full.

If you fail to obtain or maintain this insurance, or name us as a loss payee, we may obtain insurance to protect our interest in the Property. This insurance may include coverages not required of you. This insurance may be written by a company other than one you would choose. It may be written at a rate higher than a rate you could obtain if you purchased the property insurance required by this Contract. We will add the premium for this insurance to the amount you owe us. Any amount we pay will be due immediately. This amount will earn finance charges from the date paid at the post-maturity rate described in the PROMISE TO PAY AND PAYMENT TERMS section until paid in full.

**OBLIGATIONS INDEPENDENT:** Each person who signs this Contract agrees to pay this Contract according to its terms. (This means the following:

- You must pay this Contract even if someone else has also signed it.
- We may release any co-buyer or guarantor and you will still be obligated to pay this Contract.
- We may release any security and you will still be obligated to pay this Contract.
- If we give up any of our rights, it will not affect your duty to pay this Contract.
- If we extend new credit or renew this Contract, it will not affect your duty to pay this Contract.

**WARRANTY:** Warranty information is provided to you separately.

**WAIVER:** To the extent permitted by law, you agree to give up your rights to require us to do certain things. We are not required to: (1) demand payment of amounts due; (2) give notice that amounts due have not been paid, or have not been paid in the appropriate amount, time or manner; or, (3) give notice that we intend to make, or are making, this Contract immediately due.

#### THIRD PARTY AGREEMENT

By signing below you agree to give us a security interest in the Property described in the SALE section. You also agree to the terms of this Contract, including the WAIVER section above, except that you will not be liable for the payments it requires. Your interest in the Property may be used to satisfy the Buyer's obligation. You agree that we may renew, extend, change this Contract, or release any party or property without releasing you from this Contract. We may take these steps without notice or demand upon you.

You acknowledge receipt of a completed copy of this Contract.

Signature

Date

**NOTICE: ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.**

**IF YOU ARE BUYING A USED VEHICLE, THE INFORMATION YOU SEE ON THE WINDOW FORM FOR THIS VEHICLE IS PART OF THIS CONTRACT. INFORMATION ON THE WINDOW FORM OVERRIDES ANY CONTRARY PROVISIONS IN THE CONTRACT OF SALE.**

GL 2307

V#138



\*006010062000500003095504252012\*

GC 2307

# 2012 Chevy Silverado PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$34,625.24	04-25-2012	04-25-2014	6010062000500003	60		913	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

Principal Amount: \$34,625.24

Date of Note: April 25, 2012

**PROMISE TO PAY.** MOUNTAIN WATER DISTRICT ("Borrower") promises to pay to Community Trust Bank, Inc. ("Lender"), or order, in lawful money of the United States of America, the principal amount of Thirty-four Thousand Six Hundred Twenty-five & 24/100 Dollars (\$34,625.24), together with interest on the unpaid principal balance from April 25, 2012, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.990% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

**PAYMENT.** Borrower will pay this loan in 23 regular payments of \$638.43 each and one irregular last payment estimated at \$22,245.98. Borrower's first payment is due May 25, 2012, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on April 25, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

**PREPAYMENT.** Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Community Trust Bank, Inc., P.O. Box 2947 Pikeville, KY 41502-2947.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 2.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Insolvency.** The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.



\*006010062000500003023504252012\*

### COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$34,625.24	04-25-2012	04-25-2014	6010062000500003	50		913	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Grantor:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

THIS COMMERCIAL SECURITY AGREEMENT dated April 25, 2012, is made and executed between MOUNTAIN WATER DISTRICT ("Grantor") and Community Trust Bank, Inc. ("Lender").

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" as used in this Agreement means the following described property in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

2012 Chevrolet Silverado 2500 4WD (VIN 1GBDKVCL2CF176373)

In addition, the word "Collateral" also includes all the following:

- (A) All accessions, attachments, accessories, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor represents and promises to Lender that:

**Perfection of Security Interest.** Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender.

**Notices to Lender.** Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the structure of the association Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's state of organization; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

**Enforceability of Collateral.** To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

**Location of the Collateral.** Except for vehicles, and except otherwise in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral at Grantor's address shown above or at such other locations as are acceptable to Lender. If the Collateral is a vehicle, Grantor will keep the Collateral at those addresses except for routine travel. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities



**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

Loan No: 6010062000500003

Page 3

paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

**Insurance Reports.** Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

**Financing Statements.** Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. If Grantor changes Grantor's name or address, or the name or address of any person granting a security interest under this Agreement changes, Grantor will promptly notify the Lender of such change.

**GRANTOR'S RIGHT TO POSSESSION.** Until default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the indebtedness.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of those amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Grantor fails to make any payment when due under the indebtedness.

**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

**Default in Favor of Third Parties.** Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or ability to perform Grantor's obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

**Insolvency.** The dissolution or termination of Grantor's existence as a going organization, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the indebtedness.

**Adverse Change.** A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the indebtedness is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**Cure Provisions.** If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

Loan No.: 6010062000500003

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transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addressee shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**Power of Attorney.** Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the indebtedness.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's indebtedness shall be paid in full.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Agreement.** The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

**Borrower.** The word "Borrower" means MOUNTAIN WATER DISTRICT and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

**Grantor.** The word "Grantor" means MOUNTAIN WATER DISTRICT.

**Guaranty.** The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

**Indebtedness.** The word "indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents.

**Lender.** The word "Lender" means Community Trust Bank, Inc., its successors and assigns.

**Note.** The word "Note" means the Note executed by MOUNTAIN WATER DISTRICT in the principal amount of \$34,625.24 dated April 25, 2012, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

**Property.** The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments,

GL 2308



\*008010082000400003095504252012\*

Veh 139  
GL 2300

### PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$34,625.24	04-25-2012	04-25-2014	6010082000400003			913	<i>[Signature]</i>

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
348 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

**Principal Amount:** \$34,625.24

**Date of Note:** April 25, 2012

**PROMISE TO PAY.** MOUNTAIN WATER DISTRICT ("Borrower") promises to pay to Community Trust Bank, Inc. ("Lender"), or order, in lawful money of the United States of America, the principal amount of Thirty-four Thousand Six Hundred Twenty-five & 24/100 Dollars (\$34,625.24), together with interest on the unpaid principal balance from April 25, 2012, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.990% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

**PAYMENT.** Borrower will pay this loan in 23 regular payments of \$638.43 each and one irregular last payment estimated at \$22,245.98. Borrower's first payment is due May 25, 2012, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on April 25, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

**PREPAYMENT.** Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Community Trust Bank, Inc., P.O. Box 2947 Pikeville, KY 41502-2947.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 2.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

- Payment Default.** Borrower fails to make any payment when due under this Note.
- Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.
- Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.
- False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.
- Insolvency.** The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.
- Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.
- Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.
- Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

PROMISSORY NOTE  
(Continued)

Loan No: 6010062000400003

Page 2

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Pike County, Commonwealth of Kentucky.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$20.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by 2012 Chevrolet 2500 Silverado

INTEREST INCREASE. This note's interest rate will be increased by 2.0% per annum if any payment is not received within 30 days of its due date.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

MOUNTAIN WATER DISTRICT

By: Roy B. Sawyers  
ROY SAWYERS, District Administrator of  
MOUNTAIN WATER DISTRICT

LENDER:

COMMUNITY TRUST BANK, INC.

x [Signature]  
Authorized Signer

GL 2309



\*006010062002600003096505112012\*

# PROMISSORY NOTE

veh 140  
GL 2309

<b>Principal</b> \$27,255.98	<b>Loan Date</b> 05-11-2012	<b>Maturity</b> 05-11-2014	<b>Loan No</b> 6010062002600003	<b>Call / Coll</b> 60	<b>Account</b>	<b>Officer</b> 913	<b>Initials</b> JJK
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References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

**Principal Amount:** \$27,255.98

**Date of Note:** May 11, 2012

**PROMISE TO PAY.** MOUNTAIN WATER DISTRICT ("Borrower") promises to pay to Community Trust Bank, Inc. ("Lender"), or order, in lawful money of the United States of America, the principal amount of Twenty-seven Thousand Two Hundred Fifty-five & 98/100 Dollars (\$27,255.98), together with interest on the unpaid principal balance from May 11, 2012, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.990% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

**PAYMENT.** Borrower will pay this loan in 23 regular payments of \$502.58 each and one irregular last payment estimated at \$17,511.35. Borrower's first payment is due June 11, 2012, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on May 11, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

**PREPAYMENT.** Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Community Trust Bank, Inc., P.O. Box 2947 Pikeville, KY 41502-2947.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 2.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

- Payment Default.** Borrower fails to make any payment when due under this Note.
- Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.
- Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.
- False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.
- Insolvency.** The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.
- Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.
- Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.
- Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

PROMISSORY NOTE  
(Continued)

Loan No: 6010062002600003

Page 2

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Pike County, Commonwealth of Kentucky.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$20.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by 2012 Chevrolet Silverado 4x4

INTEREST INCREASE. This note's interest rate will be increased by 2.0% per annum if any payment is not received within 30 days of its due date.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

MOUNTAIN WATER DISTRICT

By: Roy B. Sawyers  
ROY SAWYERS, District Administrator of  
MOUNTAIN WATER DISTRICT

LENDER:

COMMUNITY TRUST BANK, INC.

x W. S. Keane  
Authorized Signer





\*006010062002600003012005112012\*

Veh. 140  
GL 2309

V# 140 2012 Cheryl S. Veckel

### ASSOCIATION RESOLUTION

Principal	Loan Date	Maturity	Loan No	Coll / Coll	Account	Officer	Initials
\$27,255.98	05-11-2012	05-11-2014	6010062002600003	50		913	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

Association: MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

Lender: Community Trust Bank, Inc.  
Main Office  
348 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

#### I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

**THE ASSOCIATION'S EXISTENCE.** The complete and correct name of the Association is MOUNTAIN WATER DISTRICT ("Association"). The Association is an organization which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. The Association is duly authorized to transact business in all other states in which the Association is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Association is doing business. Specifically, the Association is, and at all times shall be, duly qualified as a foreign association in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Association has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Association maintains its principal office at 6332 ZEBULON HWY, PIKEVILLE, KY 41501. Unless the Association has designated otherwise in writing, this is the principal office at which the Association keeps its books and records. The Association will notify Lender prior to any change in the location of the Association's state of organization or any change in the Association's name. The Association shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Association and the Association's business activities.

**RESOLUTIONS ADOPTED.** At a meeting of the officers of the Association, duly called and held on May 11, 2012, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

**OFFICER.** The following named person is an officer of MOUNTAIN WATER DISTRICT:

<u>NAMES</u>	<u>TITLES</u>	<u>AUTHORIZED</u>	<u>ACTUAL SIGNATURES</u>
ROY SAWYERS	District Administrator	Y X	_____

**ACTIONS AUTHORIZED.** The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Association. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Association:

**Borrow Money.** To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Association and Lender, such sum or sums of money as in his or her judgment should be borrowed; however, not exceeding at any one time the amount of Twenty-seven Thousand Two Hundred Fifty-five & 98/100 Dollars (\$27,255.98), in addition to such sum or sums of money as may be currently borrowed by the Association from Lender.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Association's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Association's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Association or in which the Association now or hereafter may have an interest, including without limitation all of the Association's real property and all of the Association's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Association to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Association or in which the Association may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Association's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, including agreements waiving the right to a trial by jury, as the officer may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

**ASSUMED BUSINESS NAMES.** The Association has filed or recorded all documents or filings required by law relating to all assumed business names used by the Association. Excluding the name of the Association, the following is a complete list of all assumed business names under which the Association does business: None.



\*006010062002600003128005092014\*

### CHANGE IN TERMS AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll.	Account	Officer	Initials
\$27,255.98	05-11-2012	05-11-2014	6010062002600003	50		913	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

**Borrower:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

**Principal Amount:** \$27,255.98 **Date of Agreement:** 05092014

DESCRIPTION OF EXISTING INDEBTEDNESS. Account 60100620026 Note 3.  
DESCRIPTION OF CHANGE IN TERMS.

The Bank hereby agrees to extend the Maturity Date to May 11, 2016.  
Borrower shall continue with monthly principal and interest payments of \$502.28 each.  
Borrower shall pay May 11, 2014 payment.

CONTINUING VALIDITY. Except as expressly changed by this Agreement, the terms of the original obligation or obligations, including all agreements evidenced or securing the obligation(s), remain unchanged and in full force and effect. Consent by Lender to this Agreement does not waive Lender's right to strict performance of the obligation(s) as changed, nor obligate Lender to make any future change in terms. Nothing in this Agreement will constitute a satisfaction of the obligation(s). It is the intention of Lender to retain as liable parties all makers and endorsers of the original obligation(s), including accommodation parties, unless a party is expressly released by Lender in writing. Any maker or endorser, including accommodation makers, will not be released by virtue of this Agreement. If any person who signed the original obligation does not sign this Agreement below, then all persons signing below acknowledge that this Agreement is given conditionally, based on the representation to Lender that the non-signing party consents to the changes and provisions of this Agreement or otherwise will not be released by it. This waiver applies not only to any initial extension, modification or release, but also to all such subsequent actions.

PRIOR TO SIGNING THIS AGREEMENT, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS AGREEMENT. BORROWER AGREES TO THE TERMS OF THE AGREEMENT.

**BORROWER:**

MOUNTAIN WATER DISTRICT

By: ROY SAWYERS, District Administrator of  
MOUNTAIN WATER DISTRICT

**LENDER:**

COMMUNITY TRUST BANK, INC.

X \_\_\_\_\_  
Authorized Signor

GL 2312



\*006010062234600003095509122012\*

GL 2312

PROMISSORY NOTE

Veh 141

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$27,580.04	09-12-2012	09-12-2014	6010062234600003	50		913	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

Borrower: MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

Lender: Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

Principal Amount: \$27,580.04

Date of Note: September 12, 2012

PROMISE TO PAY. MOUNTAIN WATER DISTRICT ("Borrower") promises to pay to Community Trust Bank, Inc. ("Lender"), or order, in lawful money of the United States of America, the principal amount of Twenty-seven Thousand Five Hundred Eighty & 04/100 Dollars (\$27,580.04), together with interest on the unpaid principal balance from September 12, 2012, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.990% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 23 regular payments of \$623.27 each and one irregular last payment estimated at \$14,969.66. Borrower's first payment is due October 12, 2012, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on September 12, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Community Trust Bank, Inc., P.O. Box 2947 Pikeville, KY 41502-2947.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 2.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.



\*006010062234600003082009122012\*

Ver. 141

### NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Coll / Coll	Account	Officer	Initials
\$27,580.04	09-12-2012	09-12-2014	601006223460003	50		913	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THE WRITTEN LOAN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

As used in this Notice, the following terms have the following meanings:

**Loan.** The term "Loan" means the following described loan: a Fixed Rate (3.990%) Nondisclosable Loan to an Unincorporated Association for \$27,580.04 due on September 12, 2014.

**Loan Agreement.** The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

#### LOAN DOCUMENTS

Association Resolution: MOUNTAIN WATER DISTRICT  
KY Commercial Security Agreement: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860); owned by MOUNTAIN WATER DISTRICT  
Agreement to Provide Insurance: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860); owned by MOUNTAIN WATER DISTRICT  
Disbursement Request and Authorization

Promissory Note  
Power of Attorney: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860)  
KY Lien Statement: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860)  
Notice of Insurance Requirements: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860)  
Notice of Final Agreement

**Parties.** The term "Parties" means Community Trust Bank, Inc. and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

**Borrower:** MOUNTAIN WATER DISTRICT  
**Grantor(s):** MOUNTAIN WATER DISTRICT

Each Party who signs below, other than Community Trust Bank, Inc., acknowledges, represents, and warrants to Community Trust Bank, Inc. that it has received, read and understood this Notice of Final Agreement. This Notice is dated September 12, 2012.

BORROWER:

MOUNTAIN WATER DISTRICT

By: ROY SAWYERS, District Administrator of  
MOUNTAIN WATER DISTRICT



\*006010062234600003012009122012\*

### ASSOCIATION RESOLUTION

V#14

Principal \$27,580.04	Loan Date 09-12-2012	Maturity 09-12-2014	Loan No 6010062234600003	Call / Coll 50	Account	Officer 913	Initials
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References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

Association: MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

Lender: Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

#### I. THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

**THE ASSOCIATION'S EXISTENCE.** The complete and correct name of the Association is MOUNTAIN WATER DISTRICT ("Association"). The Association is an organization which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. The Association is duly authorized to transact business in all other states in which the Association is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Association is doing business. Specifically, the Association is, and at all times shall be, duly qualified as a foreign association in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Association has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Association maintains its principal office at 6332 ZEBULON HWY, PIKEVILLE, KY 41501. Unless the Association has designated otherwise in writing, this is the principal office at which the Association keeps its books and records. The Association will notify Lender prior to any change in the location of the Association's state of organization or any change in the Association's name. The Association shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Association and the Association's business activities.

**RESOLUTIONS ADOPTED.** At a meeting of the officers of the Association, duly called and held on April 25, 2012, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

**OFFICER.** The following named person is an officer of MOUNTAIN WATER DISTRICT:

<u>NAMES</u>	<u>TITLES</u>	<u>AUTHORIZED</u>	<u>ACTUAL SIGNATURES</u>
ROY SAWYERS	District Administrator	Y X	_____

**ACTIONS AUTHORIZED.** The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Association. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Association:

**Borrow Money.** To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Association and Lender, such sum or sums of money as in his or her judgment should be borrowed; however, not exceeding at any one time the amount of Twenty-seven Thousand Five Hundred Eighty & 04/100 Dollars (\$27,580.04), in addition to such sum or sums of money as may be currently borrowed by the Association from Lender.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Association's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Association's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Association or in which the Association now or hereafter may have an interest, including without limitation all of the Association's real property and all of the Association's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Association to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Association or in which the Association may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Association's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, including agreements waiving the right to a trial by jury, as the officer may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

**ASSUMED BUSINESS NAMES.** The Association has filed or recorded all documents or filings required by law relating to all assumed business names used by the Association. Excluding the name of the Association, the following is a complete list of all assumed business names under which the Association does business: None.

**ASSOCIATION RESOLUTION  
(Continued)**

Loan No: 6010062234600003

Page 2

**NOTICES TO LENDER.** The Association will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Association's name; (B) change in the Association's assumed business name(s); (C) change in the structure of the Association; (D) change in the authorized signer(s); (E) change in the Association's principal office address; (F) change in the Association's state of organization; (G) conversion of the Association to a new or different type of business entity; or (H) change in any other aspect of the Association that directly or indirectly relates to any agreements between the Association and Lender. No change in the Association's name or state of organization will take effect until after Lender has received notice.

**CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS.** The officer named above is duly elected, appointed, or employed by or for the Association, as the case may be, and occupies the position set opposite his or her respective name. This Resolution now stands of record on the books of the Association, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

**CONTINUING VALIDITY.** Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Association's agreements or commitments in effect at the time notice is given.

**IN TESTIMONY WHEREOF,** I have hereunto set my hand and attest that the signature set opposite the name listed above is his or her genuine signature.

I have read all the provisions of this Resolution, and I personally and on behalf of the Association certify that all statements and representations made in this Resolution are true and correct. This Association Resolution is dated September 12, 2012.

CERTIFIED TO AND ATTESTED BY:

X \_\_\_\_\_  
ROY SAWYERS, District Administrator of MOUNTAIN  
WATER DISTRICT

**NOTE:** If the officer signing this Resolution is designated by the foregoing document as one of the officers authorized to act on the Association's behalf, it is advisable to have this Resolution signed by at least one non-authorized officer of the Association.

GL 2314





\*006010062069000003095505202013\*

GL 2314

~~VEH~~ 142

V#142

### PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$20,039.00	05-20-2013	05-20-2015	6010062069000003	50		814	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

**Principal Amount:** \$20,039.00

**Date of Note:** May 20, 2013

**PROMISE TO PAY.** MOUNTAIN WATER DISTRICT ("Borrower") promises to pay to Community Trust Bank, Inc. ("Lender"), or order, in lawful money of the United States of America, the principal amount of Twenty Thousand Thirty-nine & 00/100 Dollars (\$20,039.00), together with interest on the unpaid principal balance from May 20, 2013, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.990% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

**PAYMENT.** Borrower will pay this loan in 23 regular payments of \$452.93 each and one irregular last payment estimated at \$10,876.42. Borrower's first payment is due June 20, 2013, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on May 20, 2015, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

**PREPAYMENT.** Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Community Trust Bank, Inc., P.O. Box 2947 Pikeville, KY 41502-2947.

**LATE CHARGE.** If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

**INTEREST AFTER DEFAULT.** Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 2.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Insolvency.** The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.



\*006010062069000003012005202013\*

### ASSOCIATION RESOLUTION

GL 2314  
Unit 142  
2013 Ford 150

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$20,039.00	05-20-2013	05-20-2015	6010062069000003	50		814	

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**Association:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

**WE, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:**

**THE ASSOCIATION'S EXISTENCE.** The complete and correct name of the Association is MOUNTAIN WATER DISTRICT ("Association"). The Association is an organization which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. The Association is duly authorized to transact business in all other states in which the Association is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which the Association is doing business. Specifically, the Association is, and at all times shall be, duly qualified as a foreign association in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. The Association has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. The Association maintains its principal office at 6332 ZEBULON HWY, PIKEVILLE, KY 41501. Unless the Association has designated otherwise in writing, this is the principal office at which the Association keeps its books and records. The Association will notify Lender prior to any change in the location of the Association's state of organization or any change in the Association's name. The Association shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to the Association and the Association's business activities.

**RESOLUTIONS ADOPTED.** At a meeting of the officers of the Association, duly called and held on May 20, 2013, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Resolution were adopted.

**OFFICER.** The following named person is an officer of MOUNTAIN WATER DISTRICT:

<u>NAMES</u>	<u>TITLES</u>	<u>AUTHORIZED</u>	<u>ACTUAL SIGNATURES</u>
ROY SAWYERS	District Administrator	Y X	_____

**ACTIONS AUTHORIZED.** The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Association. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Association:

**Borrow Money.** To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Association and Lender, such sum or sums of money as in his or her judgment should be borrowed; however, not exceeding at any one time the amount of Twenty Thousand Thirty-nine & 00/100 Dollars (\$20,039.00), in addition to such sum or sums of money as may be currently borrowed by the Association from Lender.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Association's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Association's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Association or in which the Association now or hereafter may have an interest, including without limitation all of the Association's real property and all of the Association's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Association to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Association or in which the Association may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Association's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, including agreements waiving the right to a trial by jury, as the officer may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Resolution.

**ASSUMED BUSINESS NAMES.** The Association has filed or recorded all documents or filings required by law relating to all assumed business names used by the Association. Excluding the name of the Association, the following is a complete list of all assumed business names under which the Association does business: None.

**ASSOCIATION RESOLUTION  
(Continued)**

Loan No: 6010062069000003

Page 2

**NOTICES TO LENDER.** The Association will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Association's name; (B) change in the Association's assumed business name(s); (C) change in the structure of the Association; (D) change in the authorized signer(s); (E) change in the Association's principal office address; (F) change in the Association's state of organization; (G) conversion of the Association to a new or different type of business entity; or (H) change in any other aspect of the Association that directly or indirectly relates to any agreements between the Association and Lender. No change in the Association's name or state of organization will take effect until after Lender has received notice.

**CERTIFICATION CONCERNING OFFICERS AND RESOLUTIONS.** The officer named above is duly elected, appointed, or employed by or for the Association, as the case may be, and occupies the position set opposite his or her respective name. This Resolution now stands of record on the books of the Association, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

**CONTINUING VALIDITY.** Any and all acts authorized pursuant to this Resolution and performed prior to the passage of this Resolution are hereby ratified and approved. This Resolution shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Association's agreements or commitments in effect at the time notice is given.

**IN TESTIMONY WHEREOF,** we have hereunto set our hand and attest that the signature set opposite the name listed above is his or her genuine signature.

We each have read all the provisions of this Resolution, and we each personally and on behalf of the Association certify that all statements and representations made in this Resolution are true and correct. This Association Resolution is dated May 20, 2013.

CERTIFIED TO AND ATTESTED BY:

By: \_\_\_\_\_  
Authorized Signer for MOUNTAIN WATER DISTRICT

**NOTE:** If the officer signing this Resolution is designated by the foregoing document as one of the officers authorized to act on the Association's behalf, it is advisable to have this Resolution signed by at least one non-authorized officer of the Association.



V#142

\*00601006206900003082005202013\*

### NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$20,039.00	05-20-2013	05-20-2015	6010062069000003	50		814	

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**Borrower:** MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

**Lender:** Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THE WRITTEN LOAN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

As used in this Notice, the following terms have the following meanings:

**Loan.** The term "Loan" means the following described loan: a Fixed Rate (3.990%) Nondisclosable Loan to an Unincorporated Association for \$20,039.00 due on May 20, 2015.

**Loan Agreement.** The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

#### LOAN DOCUMENTS

Association Resolution: MOUNTAIN WATER DISTRICT  
KY Commercial Security Agreement: 2013 Ford F150 Pickup (VIN 1FTMF1EMODFC28732); owned by MOUNTAIN WATER DISTRICT

Agreement to Provide Insurance: 2013 Ford F150 Pickup (VIN 1FTMF1EMODFC28732); owned by MOUNTAIN WATER DISTRICT

Disbursement Request and Authorization

Promissory Note

Power of Attorney: 2013 Ford F150 Pickup (VIN 1FTMF1EMODFC28732)

KY Lien Statement: 2013 Ford F150 Pickup (VIN 1FTMF1EMODFC28732)

Notice of Insurance Requirements: 2013 Ford F150 Pickup (VIN 1FTMF1EMODFC28732)

Notice of Final Agreement

**Parties.** The term "Parties" means Community Trust Bank, Inc. and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

**Borrower:** MOUNTAIN WATER DISTRICT  
**Grantor(s):** MOUNTAIN WATER DISTRICT

Each Party who signs below, other than Community Trust Bank, Inc., acknowledges, represents, and warrants to Community Trust Bank, Inc. that it has received, read and understood this Notice of Final Agreement. This Notice is dated May 20, 2013.

**BORROWER:**

MOUNTAIN WATER DISTRICT

By: ROY SAWYERS, District Administrator of  
MOUNTAIN WATER DISTRICT

RESPONSE 2

**CASE:** Mountain Water District  
**CASE NO:** 2014-00342  
**RE:** PSC 4<sup>th</sup> Clarification

**Item 2 from Informal Conference Clarification**

The commission ask for clarification as to how the purchase of a vehicle owned by Mountain Water District transacts when UMG is responsible for the payment on such equipment.

**WITNESS:** Spears  
**RESPONSE:**

According to the management contract with UMG, they are responsible for replacing vehicles and equipment that Mountain Water District(MWD) owned at the date of the original contract in 2005. Therefore if we had 4 service trucks at June30, 2005 and if any of these needed replacement then UMG would be responsible for such payments, however the title to such vehicles would be in the name of the district, as it is their property. The reason for this language is, in the event of non renewal of the contract, that MWD would not have to immediately buy a new fleet of equipment or vehicles. Therefore when MWD approves the purchase of a vehicle to replace one that was in our fleet at inception, MWD secures the loan and purchases the vehicle and UMG makes the monthly payment to the bank. It actually reduces the amount of the Management Contract Expense in that is an obligation for a cash outlay by UMG on behalf of the District. I have attached a spreadsheet showing the journal entries required by Mountain Water and UMG for Vehicle 141 financed through Community Trust Bank. Also is attached a copy of the loan from Community Trust Bank and an amortization run by me to show the breakdown of Principle and Interest for journal entry purposes. MWD only journal entries these in once a year at year end, but the monthly journal entries shows how they are handled on MWD's books and how I understand they are handled on UMG's books

UMG uses the category Lease expense on their books as nothing more than a placeholder in their general ledger. MWD uses the category Management Expenses Assumed to record the income where UMG pays the payments. UMG's Lease Expense can be thought of as a contra account to Revenue and MWD's Management Expenses Assumed can be thought of as a contra account to Management Expenses.

**Mountain Water District**  
**PSC Response to the Purchase of a Vehicle**  
**5/12/2015**

		Mountain Water District Books		UMG Books	
		<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
STEP 1.	Purchase of the Vehicle 141				
	<b>Mountain Water Journal Entry</b>				
	Vehicle Asset	27,580.04		n/a	
	Note Payable Community Trust		27,580.04		n/a
STEP 2.	First monthly payment				
	<b>Mountain Water Journal Entry</b>				
	Note Payable Community Trust	530.48			
	Interest Expense	92.79			
	Management Expenses Assumed		623.27		
	<b>UMG Journal Entry</b>				
	Lease Expense			623.27	
	Cash in Bank				623.27



\*006010062234600003095509122012\*

GL 2312

PROMISSORY NOTE

Veh 141

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$27,580.04	09-12-2012	09-12-2014	6010062234600003	50		913	

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Borrower: MOUNTAIN WATER DISTRICT (TIN: 61-1098805)  
P.O. BOX 3157  
PIKEVILLE, KY 41502

Lender: Community Trust Bank, Inc.  
Main Office  
346 North Mayo Trail  
P.O. Box 2947  
Pikeville, KY 41502-2947

Principal Amount: \$27,580.04

Date of Note: September 12, 2012

PROMISE TO PAY. MOUNTAIN WATER DISTRICT ("Borrower") promises to pay to Community Trust Bank, Inc. ("Lender"), or order, in lawful money of the United States of America, the principal amount of Twenty-seven Thousand Five Hundred Eighty & 04/100 Dollars (\$27,580.04), together with interest on the unpaid principal balance from September 12, 2012, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.990% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 23 regular payments of \$623.27 each and one irregular last payment estimated at \$14,969.66. Borrower's first payment is due October 12, 2012, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on September 12, 2014, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Community Trust Bank, Inc., P.O. Box 2947 Pikeville, KY 41502-2947.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 2.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going organization, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or





\*006010062234600003082009122012\*

Veh. 141

### NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$27,580.04	09-12-2012	09-12-2014	6010062234600003	50		913	

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P.O. BOX 3157  
PIKEVILLE, KY 41502

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Main Office  
346 North Mayo Trail  
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Pikeville, KY 41502-2947

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#### LOAN DOCUMENTS

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KY Commercial Security Agreement: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860); owned by MOUNTAIN WATER DISTRICT  
Agreement to Provide Insurance: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860); owned by MOUNTAIN WATER DISTRICT  
Disbursement Request and Authorization

Promissory Note  
Power of Attorney: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860)  
KY Lien Statement: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860)  
Notice of Insurance Requirements: 2012 Ford F250 Pickup (VIN 1FDBF2B67CEC68860)  
Notice of Final Agreement

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**Borrower:** MOUNTAIN WATER DISTRICT  
**Grantor(s):** MOUNTAIN WATER DISTRICT

Each Party who signs below, other than Community Trust Bank, Inc., acknowledges, represents, and warrants to Community Trust Bank, Inc. that it has received, read and understood this Notice of Final Agreement. This Notice is dated September 12, 2012.

**BORROWER:**

MOUNTAIN WATER DISTRICT

By: ROY SAWYERS, District Administrator of  
MOUNTAIN WATER DISTRICT

# AMORTIZATION

Lender name: **Brown Foodservice, Inc.**

Enter values	
Loan amount	\$ 27,580.04
Annual interest rate	4.03 %
Loan period in years	4
Number of payments per year	12
Start date of loan	4/12/2012
Optional extra payments	\$ -

Loan summary	
Scheduled payment	\$ 623.10
Scheduled number of payments	48
Actual number of payments	48
Total early payments	\$ -
Total interest	\$ 2,328.83

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal G/L 224	Interest G/L 540	Ending Balance	Cumulative Interest
1	5/12/2012	\$ 27,580.04	\$ 623.10	-	\$ 623.10	\$ 530.48	\$ 92.62	\$ 27,049.56	\$ 92.62
2	6/12/2012	27,049.56	623.10	-	623.10	532.26	90.84	26,517.30	183.46
3	7/12/2012	26,517.30	623.10	-	623.10	534.05	89.05	25,983.25	272.52
4	8/12/2012	25,983.25	623.10	-	623.10	535.84	87.26	25,447.41	359.78
5	9/12/2012	25,447.41	623.10	-	623.10	537.64	85.46	24,909.77	445.24
6	10/12/2012	24,909.77	623.10	-	623.10	539.45	83.66	24,370.33	528.89
7	11/12/2012	24,370.33	623.10	-	623.10	541.26	81.84	23,829.07	610.74
8	12/12/2012	23,829.07	623.10	-	623.10	543.08	80.03	23,285.99	690.76
9	1/12/2013	23,285.99	623.10	-	623.10	544.90	78.20	22,741.09	768.97
10	2/12/2013	22,741.09	623.10	-	623.10	546.73	76.37	22,194.36	845.34
11	3/12/2013	22,194.36	623.10	-	623.10	548.57	74.54	21,645.80	919.87
12	4/12/2013	21,645.80	623.10	-	623.10	550.41	72.69	21,095.39	992.57
13	5/12/2013	21,095.39	623.10	-	623.10	552.26	70.85	20,543.13	1,063.41
14	6/12/2013	20,543.13	623.10	-	623.10	554.11	68.99	19,989.02	1,132.40
15	7/12/2013	19,989.02	623.10	-	623.10	555.97	67.13	19,433.05	1,199.53
16	8/12/2013	19,433.05	623.10	-	623.10	557.84	65.26	18,875.21	1,264.80
17	9/12/2013	18,875.21	623.10	-	623.10	559.71	63.39	18,315.50	1,328.19
18	10/12/2013	18,315.50	623.10	-	623.10	561.59	61.51	17,753.91	1,389.70
19	11/12/2013	17,753.91	623.10	-	623.10	563.48	59.62	17,190.43	1,449.32
20	12/12/2013	17,190.43	623.10	-	623.10	565.37	57.73	16,625.06	1,507.05
21	1/12/2014	16,625.06	623.10	-	623.10	567.27	55.83	16,057.79	1,562.88
22	2/12/2014	16,057.79	623.10	-	623.10	569.17	53.93	15,488.62	1,616.81
23	3/12/2014	15,488.62	623.10	-	623.10	571.09	52.02	14,917.53	1,668.83
24	4/12/2014	14,917.53	623.10	-	623.10	573.00	50.10	14,344.53	1,718.92
25	5/12/2014	14,344.53	623.10	-	623.10	574.93	48.17	13,769.60	1,767.10
26	6/12/2014	13,769.60	623.10	-	623.10	576.86	46.24	13,192.74	1,813.34
27	7/12/2014	13,192.74	623.10	-	623.10	578.80	44.31	12,613.95	1,857.65
28	8/12/2014	12,613.95	623.10	-	623.10	580.74	42.36	12,033.21	1,900.01
29	9/12/2014	12,033.21	623.10	-	623.10	582.69	40.41	11,450.52	1,940.42
30	10/12/2014	11,450.52	623.10	-	623.10	584.65	38.45	10,865.87	1,978.87
31	11/12/2014	10,865.87	623.10	-	623.10	586.61	36.49	10,279.26	2,015.37
32	12/12/2014	10,279.26	623.10	-	623.10	588.58	34.52	9,690.68	2,049.89
33	1/12/2015	9,690.68	623.10	-	623.10	590.56	32.54	9,100.12	2,082.43
34	2/12/2015	9,100.12	623.10	-	623.10	592.54	30.56	8,507.58	2,112.99
35	3/12/2015	8,507.58	623.10	-	623.10	594.53	28.57	7,913.05	2,141.56
36	4/12/2015	7,913.05	623.10	-	623.10	596.53	26.57	7,316.52	2,168.14
37	5/12/2015	7,316.52	623.10	-	623.10	598.53	24.57	6,717.99	2,192.71
38	6/12/2015	6,717.99	623.10	-	623.10	600.54	22.56	6,117.45	2,215.27
39	7/12/2015	6,117.45	623.10	-	623.10	602.56	20.54	5,514.90	2,235.82
40	8/12/2015	5,514.90	623.10	-	623.10	604.58	18.52	4,910.31	2,254.34
41	9/12/2015	4,910.31	623.10	-	623.10	606.61	16.49	4,303.70	2,270.83
42	10/12/2015	4,303.70	623.10	-	623.10	608.65	14.45	3,695.06	2,285.28
43	11/12/2015	3,695.06	623.10	-	623.10	610.69	12.41	3,084.36	2,297.69
44	12/12/2015	3,084.36	623.10	-	623.10	612.74	10.36	2,471.62	2,308.05
45	1/12/2016	2,471.62	623.10	-	623.10	614.80	8.30	1,856.82	2,316.35
46	2/12/2016	1,856.82	623.10	-	623.10	616.87	6.24	1,239.95	2,322.58
47	3/12/2016	1,239.95	623.10	-	623.10	618.94	4.16	621.02	2,326.75
48	4/12/2016	621.02	623.10	-	621.02	618.93	2.09	0.00	2,328.83

RESPONSE 3

CASE: Mountain Water District  
CASE NO: 2014-00342  
RE: PSC 4<sup>th</sup> Clarification

**Item 3 from Informal Conference Clarification**

The commission ask for clarification as to how UMG had lease expense associated with the district in regards to vehicles. They also requested that Mike Spears redo the projected costs to reflect what would happen in the event the District took over operations internally.

WITNESS: Spears

RESPONSE:

Item 2 response will provide additional clarification as to how the transactions are handled by MWD and UMG on their respective books.

In addition, on the attached spreadsheet, I have taken the \$69,306 lease expense off of the lease category. In addition I had to add back at the bottom of the spreadsheet as Cash Expenditures for note payments as they are a cash outflow that MWD is not currently making but would be obligated to fund. Also I moved the note payments on additional vehicles that would be required, as explained in Note 7, down to the same category. The bottom line does not change, it is just a reclassification for clarification purposes. As stated in Note 8 to this attachment, these amounts are for existing payments on vehicles owned by Mountain Water District that UMG makes monthly payments on MWD's behalf.

# Mountain Water District

## Projected Cost Comparison of Assuming Operations of the District June 30, 2014

	UMG Direct Expenses	MWD Additional	MWD Projected Cost
<b>Payroll and Administrative Expenses</b>			
Salary and Wages			
Regular Pay	\$ 1,609,414		\$ 1,609,414
Overtime	85,925		85,925
Paid leave	222,271		222,271
HR, Safety, AP Clerk	-	113,881 (1)	113,881
Total Salaries and Wages	\$ 1,917,610		\$ 2,031,491
Payroll Taxes			
Fica	141,479	8,712 (2)	150,191
Futa	6,993	144 (2)	7,137
Suta	17,837	1,059 (2)	18,896
Total Payroll Taxes	166,309		176,224
Health Insurance Expense	375,656	28,800 (3)	404,456
Life Insurance Expense	7,462	443 (4)	7,905
Long Term Disability	6,715	399 (5)	7,114
State Retirement System	54,522	292,050 (6)	346,572
Training Expense	5,505		5,505
Travel			
Lodging	4,931		4,931
Meals	5,245		5,245
Mileage	855		855
Total Travel	11,031		11,031
Vehicle Expenses			
Lease Expense	69,306	(69,306) (8)	-
Gasoline	174,962		174,962
Diesel	36,469		36,469
Miscellaneous	2,057		2,057
Total Vehicle Expense	282,794		213,488
Office Storage Rental	1,090		1,090
Office Equipment Lease	7,253		7,253
Office Supplies	31,930		31,930
Janitorial Expense	20,092		20,092
Postage	111,210		111,210
Professional Fees accounting	749		749
Professional Fees Other	47,941		47,941
Insurance			
General Liability	149,073		149,073
Auto	15,417		15,417
Workers Compensation	35,706		35,706
Total Insurance Expense	200,196		200,196
Telephone			
Office	11,736		11,736
Mobile	13,848		13,848
Other	1,910		1,910
Total Telephone	27,494		27,494
Security Service	459		459
	\$ 3,276,018	376,182	\$ 3,652,200
<b>Direct Operations</b>			
Uniforms	26,497		26,497
Safety Supplies	16,274		16,274
Laboratory Supplies	2,979		2,979

Laboratory Testing	37,171		37,171
Other Outside Services	2,400		2,400
Carbon	802		802
Disinfectants	54,950		54,950
Fluoride	17,909		17,909
Polymers	8,313		8,313
Dechlorination Agents	13,841		13,841
Nitonox	11,270		11,270
Other Chemicals	62,977		62,977
Purchased Water	1,114,659		1,114,659
Electricity	1,162,650		1,162,650
Sewage Fees	163,514		163,514
Solid Waste	6,805		6,805
	<u>2,703,011</u>	<u>-</u>	<u>2,703,011</u>
Repair and Maintenance			
Repair and Maintenance	758,439		758,439
Hand Toos	13,316		13,316
	<u>771,755</u>	<u>-</u>	<u>771,755</u>
Cash Expenditures for note payments.			
Note payments for existing vehicles curently paid by UMG.		69,306 (8)	69,306
Note payments for 5 additional vehicles		30,000 (7)	30,000
		<u>99,306</u>	<u>99,306</u>
	<u>\$ 6,750,784</u>	<u>475,488</u>	<u>\$ 7,226,272</u>
Amount Paid to UMG			<u>7,600,837</u>
Projected Saving by Operating the District Internally			<u>\$ 374,565</u>

## Mountain Water District

### Projected Cost Comparison of Assuming Operations of the District Assumptions June 30, 2014

#### Number

- 1 The district will require 3 additional employees included in UMG's Corporate Overhead Number HR Specialist at \$39,833, Safety Director at \$39,179, and A/P Clerk at \$34,869
- 2 The additional Fica is calculated at 7.65% of the Salary, FUTA at .006 of \$8,00 per Employee and SUTA at prorata to UMG's cost related to total payroll
- 3 Cost estimated at \$800 per new employee multiplied by 12 months.
- 4 Pro rata UMG's number to their total payroll, adjusted for the 3 new employees
- 5 Pro rata UMG's number to their total payroll, adjusted for the 3 new employees
- 6 Total payroll of \$2,031,491 multiplied by the current KERS Retirement percentage of 17.06% less the UMG costs of \$54,522.
- 7 UMG currently uses 7 trucks of theirs on our project, we will only replace 5 of those. Estimated at \$500 per month by the five new trucks.
- 8 UMG pays for notes that are in MWD's name for vehicles used on our project. We would not have this expense without the contract with UMG. We would however have to make the payments on those notes.

RESPONSE 4



Case No. 2014-00342

PSC 4<sup>th</sup> clarification

Question asked for explanation of \$75,000 discrepancy in UMG payroll.

Witness: Meyer

Response:

After reviewing UMG payroll distribution files, I determined why there is a discrepancy between the two schedules that Mark Frost pointed out yesterday at the informal hearing. UMG has been charging the majority of Greg May's salary directly to the City of Pikeville project since its inception. Essentially, only a small portion of Greg's salary is actually being charged to the "corporate overhead" division (15%) – the bulk of it is being charged directly to the Pikeville project (85%). The rationale for that is irrelevant to the MWD rate increase process, as it results in less UMG shared costs being allocated to the Mountain Water project than would have been if 100% of his payroll expense had been charged to the overhead division. I have attached a spreadsheet which reconciles the two schedules that Mark questioned yesterday. There is still a \$1,000 unreconciled difference between the two schedules but I am assuming that \$1,000 is not a material amount in the context of the total costs that are being addressed in this process.

**UTILITY MANAGEMENT GROUP**

DATA REQUEST FROM THE PUBLIC SERVICE COMMISSION

"SHARED EMPLOYEES" GROSS PAYROLL EXPENSES FOR TEST YEAR

July 1, 2013 through June 30, 2014

RECONCILIATION OF INDIVIDUAL GROSS PAYROLL AMOUNTS PER PAYROLL REGISTERS TO  
GROSS PAYROLL AMOUNTS PER OVERHEAD DIVISION INCOME STATEMENT

Total "Shared Employee" wages per Payroll Register:	\$345,275.33
Total Gross Payroll Expense per Overhead Division P&L (PSC Third Request, Item 1(a))	\$269,780.00
Unreconciled difference:	\$75,495.33

**Explanation of unreconciled difference:**

Annual Salary / Chief Operating Officer:	\$90,000.00	
Portion of COO Salary charged directly to City of Pikeville Project:	85.0%	
Amount of COO annual salary charged directly to City of Pikeville Project:	\$76,500.00	\$76,500.00
Balance of Unreconciled difference:		-\$1,004.67