

Western Mason  Water District

David French manager
Chris Scott operator

Website: <http://maysvilleky.net/~wmwd>
Email: wmwd@maysvilleky.net

2573 Mary Ingles Hwy
PO Box 49
Dover KY 41034
Phone (606)-882-3141
Fax (606)-882-2321

December 18, 2014

Public Service Commission
211 Sower Blvd
PO Box 615
Frankfort KY 40601

RECEIVED

DEC 23 2014

**PUBLIC SERVICE
COMMISSION**

RE: Case No. 2014-00421

Attn: Jeff Derouen,

Recently you received a packet from our company with information for an upcoming rate increase. We were advised that some information was missing and am sorry for the mistake.

Enclosed are the needed documents and five copies that was missing from the packet needed for our company to file for a rate increase.

Should you need anything further, feel free to contact me at the number above.

Thanks so much with your help in this matter,

David French, manager
Western Mason Water District

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	NOTE DATE	INITIALS
	WESTERN MASON WATER DISTRICT		01/17/14	MBD
NOTE AMOUNT	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
\$86,374.43	Wall Street Journal Prime plus 0.750%	4.000%	01/17/24	Commercial
Creditor Use Only				

PROMISSORY NOTE
(Commercial - Single Advance)

DATE AND PARTIES. The date of this Promissory Note (Note) is January 17, 2014. The parties and their addresses are:

LENDER:

BANK OF MAYSVILLE
20 WEST SECOND STREET
PO BOX 40
MAYSVILLE, KY 41056
Telephone: (606) 564-4001

BORROWER:

WESTERN MASON WATER DISTRICT
a Kentucky Other
P O BOX 49
DOVER, KY 41034

1. DEFINITIONS. As used in this Note, the terms have the following meanings:

- A. **Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Note, individually and together with their heirs, successors and assigns, and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Note. "You" and "Your" refer to the Lender, any participants or syndicators, successors and assigns, or any person or company that acquires an interest in the Loan.
- B. **Note.** Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. **Loan.** Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
- D. **Loan Documents.** Loan Documents refer to all the documents executed as a part of or in connection with the Loan.
- E. **Property.** Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
- F. **Percent.** Rates and rate change limitations are expressed as annualized percentages.
- G. **Dollar Amounts.** All dollar amounts will be payable in lawful money of the United States of America.

2. REFINANCING. This Note will pay off the following described note(s):

Note Date	Note Number	Note Amount
February 2, 2011		\$67,953.00

The remaining balance of the note listed in the table above is \$58,520.56.

3. PROMISE TO PAY. For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of \$86,374.43 (Principal) plus interest from January 17, 2014 on the unpaid Principal balance until this Note matures or this obligation is accelerated.

4. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of 4.000 percent (Interest Rate) until January 18, 2014, after which time it may change as described in the Variable Rate subsection.

A. Post-Maturity Interest. After maturity or acceleration, interest will accrue on the unpaid Principal balance of this Note at the Interest Rate in effect from time to time, until paid in full.

WESTERN MASON WATER DISTRICT
Kentucky Promissory Note
KY/4XXLCLARK0000000000674007N

B. Maximum Interest Amount. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum lawful amount of interest allowed by state or federal law, whichever is greater. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.

C. Statutory Authority. The amount assessed or collected on this Note is authorized by the Kentucky usury laws under Ky. Rev. Stat. Ann. § 360.010.

D. Accrual. Interest accrues using an Actual/365 days counting method.

E. Variable Rate. The Interest Rate may change during the term of this transaction.

(1) **Index.** Beginning with the first Change Date, the Interest Rate will be based on the following index: the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks known as the Wall Street Journal U.S. Prime Rate.

The Current Index is the most recent index figure available on each Change Date. You do not guaranty by selecting this Index, or the margin, that the Interest Rate on this Note will be the same rate you charge on any other loans or class of loans you make to me or other borrowers. If this index is no longer available, you will substitute a similar index. You will give me notice of your choice.

(2) **Change Date.** Each date on which the Interest Rate may change is called a Change Date. The Interest Rate may change January 18, 2014 and daily thereafter.

(3) **Calculation Of Change.** On each Change Date you will calculate the Interest Rate, which will be the Current Index plus 0.750 percent. Subject to any limitations, this will be the Interest Rate until the next Change Date. The new Interest Rate will become effective on each Change Date. The Interest Rate and other charges on this Note will never exceed the highest rate or charge allowed by law for this Note.

(4) **Limitations.** The Interest Rate changes are subject to the following limitations:

(a) **Lifetime.** The Interest Rate will never be less than 4.000 percent.

(5) **Effect Of Variable Rate.** A change in the Interest Rate will have the following effect on the payments: The amount of scheduled payments will change.

5. ADDITIONAL CHARGES. As additional consideration, I agree to pay, or have paid, these additional fees and charges.

A. Nonrefundable Fees and Charges. The following fees are earned when collected and will not be refunded if I prepay this Note before the scheduled maturity date.

Documentation. A(n) Documentation fee of \$75.00 payable from the loan proceeds.

6. REMEDIAL CHARGES. In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.

A. Late Charge. If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$10.00, whichever is greater. I will pay this late charge promptly but only once for each late payment.

7. PAYMENT. I agree to pay this Note in 10 payments. A payment of \$10,650.44 will be due January 17, 2015, and on the same day each year thereafter. This scheduled payment amount may change to reflect changes in the Interest Rate as described in the Variable Rate subsection of this Note. A final payment of the entire unpaid balance of Principal and interest will be due January 17, 2024.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Each payment I make on this Note will be applied first to interest that is due, then to principal that is due, then to any charges that I owe other than principal and interest, and finally to escrow that is due. If you and I agree to a different application of payments, we will describe our agreement on this Note. You may change how payments are applied in your sole discretion without notice to me. The actual amount of my final payment will depend on my payment record.

8. PREPAYMENT. I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay in full.

9. LOAN PURPOSE. The purpose of this Loan is BUSINESS OPERATING EXPENSES.

10. DEFAULT. I will be in default if any of the following events (known separately and collectively as an Event of Default) occur:

A. Payments. I fail to make a payment in full when due.

B. Insolvency or Bankruptcy. The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me or any co-signer, endorser, surety or guarantor of this Note or any other obligations I have with you.

C. Failure to Perform. I fail to perform any condition or to keep any promise or covenant of this Note.

D. Other Documents. A default occurs under the terms of any other Loan Document.

- F. Other Agreements.** I am in default on any other debt or agreement I have with you.
- F. Misrepresentation.** I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.
- G. Judgment.** I fail to satisfy or appeal any judgment against me.
- H. Forfeiture.** The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.
- I. Name Change.** I change my name or assume an additional name without notifying you before making such a change.
- J. Property Transfer.** I transfer all or a substantial part of my money or property.
- K. Property Value.** You determine in good faith that the value of the Property has declined or is impaired.
- L. Insecurity.** You determine in good faith that a material adverse change has occurred in my financial condition from the conditions set forth in my most recent financial statement before the date of this Note or that the prospect for payment or performance of the Loan is impaired for any reason.

11. WAIVERS AND CONSENT. To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. Additional Waivers By Borrower. In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

- (1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.
- (2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.
- (3) You may release, substitute or impair any Property securing this Note.
- (4) You, or any institution participating in this Note, may invoke your right of set-off.
- (5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.
- (6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.

B. No Waiver By Lender. Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or any other Loan Document, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

12. REMEDIES. After I default, you may at your option do any one or more of the following.

- A. Acceleration.** You may make all or any part of the amount owing by the terms of this Note immediately due.
- B. Sources.** You may use any and all remedies you have under state or federal law or in any Loan Document.
- C. Insurance Benefits.** You may make a claim for any and all insurance benefits or refunds that may be available on my default.
- D. Payments Made On My Behalf.** Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of this Note, and accrue interest at the highest post-maturity interest rate.
- E. Set-Off.** You may use the right of set-off. This means you may set-off any amount due and payable under the terms of this Note against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of this Note" means the total amount to which you are entitled to demand payment under the terms of this Note at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay this Note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set-off against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

F. Waiver. Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

13. COLLECTION EXPENSES AND ATTORNEYS' FEES. On or after the occurrence of an Event of Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Note or any other Loan Document. Expenses include, but are not limited to, reasonable attorneys' fees as provided by law, and court costs. This amount does not include attorneys' fees for your salaried employee. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of this Note. All fees and expenses will be secured by the Property I have granted to you, if any. In addition,

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

<u>Monthly Rates</u>	<u>Current Rate</u>	<u>PROPOSED RATES</u>	
		<u>Phase 1 Rate</u>	<u>Phase 2 Rate</u>
First 2,000 Gallons (Minimum Bill)	\$27.50	\$33.44	\$40.65
Next 8,000 Gallons (per 1,000 Gallons)	4.00	4.86	5.91
Over 10,000 Gallons (per 1,000 Gallons)	3.50	4.26	5.17
Bulk Sales (per 1,000 Gallons)	\$4.20	\$5.11	\$6.21

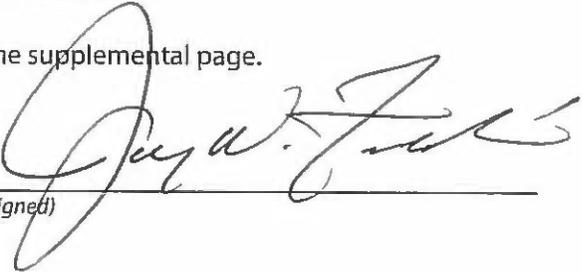
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Mason Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.

Jerry Fields
(Print Name)


(Signed)

Treasurer
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF MASON

Subscribed and sworn to before me by Jerry W. Fields
(Name)

this 9th day of December, 2014.



NOTARY PUBLIC
State-at-Large

My Commission Expires
January 26, 2015
Notary ID 435674

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Mason Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.

Pam Carpenter
(Print Name)

Pam Carpenter
(Signed)

Secretary
(Position/Office)

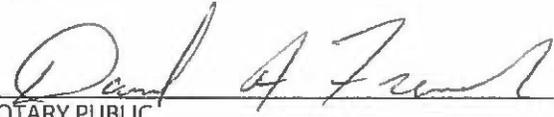
* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF MASON

Subscribed and sworn to before me by Pam Carpenter
(Name)

this 9th day of December, 20 14.


NOTARY PUBLIC
State-at-Large

My Commission Expires
January 26, 2015
Notary ID 435674

AFFIDAVIT OF PUBLICATION

RECEIVED

DEC 23 2014

PUBLIC SERVICE COMMISSION

State of Kentucky

County of Mason

Kellie Cracraft being duly sworn deposes and says that she is Business Manager of The Ledger-Independent, a newspaper published in the City of Maysville and that advertising for Western Mason Water District

was published the said newspaper and that the following is a true description of each advertisement as to date of publication and amount of space occupied:

DATE	SPACE	CAPTION
11/28/2014	17.25"	Notice of proposed rate increases
12/5/2014	17.25	Notice of proposed rate increases

Signed Kellie Cracraft

Subscribed and sworn to before me this 10th day of Dec 2014

Rita Kender

Notary Public
State of Kentucky
My commission expires May 23, 2016
465565

**1610
Automobiles/
Domestic**

98 Pont. Trans AM, V8, Auto., 5.7 liter, T-top, runs good, 102K mi., \$4,900 606-584-3923.

☛ Newspaper Rack Theft is a Misdemeanor punishable up to one year in Prison! Is A Free paper worth a Year in Jail?

ADS, ADS, ADS, ADS!

**1640
Four Wheel Drive**

1999 Chevy S-10 4x4 pickup truck, V6, auto., motor needs work. \$750. 937-378-3344.

**Call 564-9091 or
1-800-264-9091 EXT: 235
To Advertise in
the Classifieds!**

**1660
Wanted/Junk Cars**

B & J TOWING
Buys Junk Cars! Top \$ for any size.
Bob Bradford, 606-564-7900 or 301-3321

Buying Cars & Metal
Selling Motors, Trans., Etc.
606-883-3340 Mason Co Auto Sales

TAYLOR SEXTON'S TOWING
Buying junk & resalable cars, top
dollar pd. 606-407-0153 / 584-5731

NOTICE

On or before December 1, 2014, Western Mason County Water District ("Western Mason") will submit an Alternative Rate Filing with the Kentucky Public Service Commission ("PSC") proposing to increase rates in two phases, the first phase to be effective on the date approved by the PSC, and the second phase to be effective one year later. The proposed rates are as follows:

<u>Phase One Rates</u>	<u>Current Rate</u>	<u>Phase 1 Rate</u>	<u>\$ Change</u>	<u>% Change</u>
First 2,000 Gallons (Minimum Bill)	\$27.50	\$33.44	\$5.94	21.6%
Next 8,000 Gallons (per 1,000 Gallons)	4.00	4.86	0.86	21.6%
Over 10,000 Gallons (per 1,000 Gallons)	3.50	4.26	0.76	21.6%
Bulk Sales (per 1,000 Gallons)	\$4.20	\$5.11	\$0.91	21.6%

<u>Phase Two Rates</u>	<u>Phase 1 Rate</u>	<u>Phase 2 Rate</u>	<u>\$ Change</u>	<u>% Change</u>
First 2,000 Gallons (Minimum Bill)	\$33.44	\$40.65	\$7.21	21.6%
Next 8,000 Gallons (per 1,000 Gallons)	4.86	5.91	1.05	21.6%
Over 10,000 Gallons (per 1,000 Gallons)	4.26	5.17	0.91	21.6%
Bulk Sales (per 1,000 Gallons)	\$5.11	\$6.21	\$1.10	21.6%

For Phase One, the bill for an average customer using 5,000 gallons each month would increase \$8.52 per month, from \$39.50 to \$48.02 or 21.6%.

For Phase Two, the bill for an average customer using 5,000 gallons each month would increase \$10.36 per month, from \$48.02 to \$58.38 or 21.6%.

The rates contained in this notice are the rates proposed by Western Mason, but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

The PSC has up to ten months from the date the application is filed to issue a final decision in this matter.

Any person may examine this filing at the district office located at 2573 Mary Ingles Highway in Dover, Kentucky; telephone (606) 882-3141.

Any person may also examine this filing at the PSC located at 211 Sower Boulevard in Frankfort, Kentucky, Monday through Friday from 8:00am to 4:30pm or through the PSC website at <http://psc.ky.gov>.

Comments regarding the filing may be submitted to the PSC through its website or by mail to Public Service Commission, Post Office Box 615, Frankfort, KY 40602.

Any person may submit a timely written request for intervention to the PSC which establishes the grounds for the request including the status and interest of the party.

If the PSC does not receive a written request for intervention within thirty (30) days of the date notice was initially provided, the PSC may take final action on the filing.

Let's Face It... Pictures Work.

You can increase the selling power of
your classified ad by featuring photos.

Call today for more information about
our Print Ad/Online packages.

MINI STORAGE \$35 - \$60 mo.
 (Located on Tucker Dr.)
LIMESTONE STORAGE
 606-564-8848

PAINT/PAPER
 937-213-3160
 Pops Seal Coating Services
 removal, Porch & Fences

Handyman Services, Inc.
 Owner Darrell Hunt
 28 yrs. exp. Insured, Free Estimates
 interior & exterior painting, drywall,
 beam & fence repair, roofing,
 flooring, pressure washing,
 vinyl siding
 Snow removal. Call and we can try
 and do it all! We appreciate and

B8 | FRIDAY, 12.5.2014

ANNOUNCEMENTS

200

205 Legals
 210 Adoptions
 215 Attorneys
 220 Counseling Services
 225 Disclaimer of Debts
 230 Happy Ads
 235 Lost/Found
 240 Meetings
 245 Notices
 246 Novenas
 250 Paid Political
 255 Rides Needed
 260 Special Events
 263 Thought for the Day
 265 Ticket Mart
 270 Transportation/ Travel

240 Meetings

★ **Drug Addicts Anonymous Meetings**

- **Mondays Noon-1pm** First Christian Church 18 East Third Street, Maysville, KY.
- **Tuesdays - 7:00pm** Neutral Ground - First Presbyterian Church 3rd & Court St. Maysville, Ky

★ **Maysville Overeaters Anonymous Meetings**

- **Mondays 5:30pm - 6:30pm** Maysville Church of Nazarene Fellowship Hall. For more info call 606-407-5477.

302 Apartments/ Unfurnished

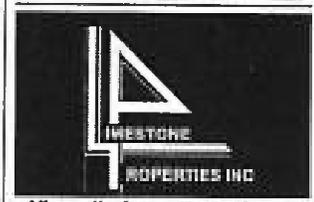
Huntington Park Aberdeen, OH
 2BR. Townhouse, w/all appl. \$525
 mo. Dep & Ref. Req. 937-378-4593

Millston Apartments
 2BR Available Free Gift Cards
 with Lease Move In! 937-795-0261

SPRINGWOOD APARTMENTS
 ★ 606-759-7613 ★

WINTER MOVE-IN-SPECIAL
 Now accepting applications
 for 1 and 2 bedroom apart-
 ments. For Details Call
 937-795-2504
Riverbend Apartments

430 Houses for Sale



View all of our properties at
www.limestoneproperties.com
 OFFICE 606-564-6846

460 Lots/Residential

Fax: 606-564-8950

1 & 2 br.
 400 Moody Drive

demeanor punishable up to
 year in Prison! Is A Free paper
 worth a Year in Jail?

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If the PSC does not receive a written request for intervention within thirty (30) days of the date notice was initially provided, the PSC may take final action on the filing.

Buffalo Trace Area
 Development District is

North 48° 19' 24" East, 74.20 ft.
 (set this survey); thence North
 (D.B. 236, Pg. 243); thence lea
 South 81° 26' 48" East, 21.29
 1528.95 ft. to an iron pin (set th
 (set this survey) by corner pos
 North 81° 55' 35" West, 85.19
 230.60 ft. to an iron pin (set th
 (set this survey) by corner to se
 North 9° 35' 22" East, 661.91 f
 1360.03 Ft. to an iron pin (set
 of beginning.

This property shall be used fo
 covenant.

The above described tract con
 pins set this survey are 1/2" re-b

All bearing stated herein are r
 1996.

BEING the same property con'
 David A. Collins, married, datec
 Mason County Clerk's office. '
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Jeffrey L. Schumacher, Esq., A

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF THE WESTERN MASON COUNTY WATER DISTRICT AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE DISTRICT'S WATER SYSTEM; AUTHORIZING THE ISSUANCE OF \$700,000 OF THE DISTRICT'S WATER REVENUE BONDS, SERIES OF 2010, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE DISTRICT'S WATER SYSTEM SHALL BE OPERATED; AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

WHEREAS, it is permitted and provided by Sections 74.370 and 96.350 through 96.510 of the Kentucky Revised Statutes that any water district may finance the costs of construction of additions, extensions and improvements to its water distribution system by the issuance of revenue bonds, secured solely by the revenues of the system, and the Board of Water Commissioners of the Western Mason County, Kentucky, Water District (the "District") has so determined; and

WHEREAS, the District has determined it is necessary and desirable to construct additions, extensions and improvements to its water distribution System (the "Construction Project"); and

WHEREAS, in order to assist in financing the Construction Project the District is to receive a U.S. Department of Agriculture, Rural Development ("USDARD") Grant in the amount of approximately \$300,000, and a Kentucky State Revolving Fund Stimulus (DWSRF) Loan in the amount of approximately \$500,000 ("Stimulus Loan"), toward the total cost of \$1,500,000 of the Construction Project and it will be necessary for the District to obtain a loan from USDARD in the amount not to exceed \$700,000 to be represented by the District's Water Revenue Bonds, Series of 2010 (the "Bonds") hereinafter identified which is to be sold to USDARD in the event bids are not received from others for said Bonds on a basis USDARD considers reasonable, and

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF WATER COMMISSIONERS OF THE WESTERN MASON COUNTY WATER DISTRICT AS FOLLOWS:

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

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

"Beginning Month" means the month following the month in which the Construction Project is completed, as certified by the Engineers.

The words "Registered Owner", "bond", "owner", "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "Registered Owner" means and contemplates, unless context otherwise indicates, the Registered Owner or Owners or holders of the Fully Registered Bonds at the time issued and outstanding hereunder, or any of them.

The "Bonds" or "Series 2010 Bonds" means any of the bonds payable from the income and revenues of the System authorized by this Resolution, specifically the \$700,000 Western Mason County, Kentucky, Water District Water Revenue Bonds, Series of 2010.

"Bond Fund" or "Sinking Fund" means the "Western Mason County Waterworks Bond and Interest Sinking Fund" established pursuant to the provisions of the Resolution authorizing the Series 1988 Bonds and constituting the sinking fund or debt service fund for Series 1988 Bonds as well as the other Outstanding Bonds payable from the income and revenues of the System.

"Bond Anticipation Note" or "Notes" means the obligations of the District authorized by this Resolution to provide interim financing or multiple advances pending the delivery of the Series 2010 Bonds.

"Commission" means the Board of Water Commissioners of the District.

"Construction Account" means the "Western Mason County Water District Water System Construction Project Account of 2010" established under the provisions of this Resolution for the purpose of accounting for the disbursements for the Construction Project from the proceeds of the District's Bond Anticipation Notes and/or Series 2010 Bonds and Grant proceeds.

"Construction Project" or "Extension Project" means the construction of the extensions, additions and improvements to the District's Water System, which construction is being financed in part by the Series 2010 Bonds herein authorized.

"Date of Closing" means the date upon which the Series 2010 Bonds are delivered to the successful purchaser.

"Depository Bank" means the bank which shall serve as the depository of all of the various funds created or referred to in this Resolution, which bank is Security Bank & Trust Company, Maysville, Kentucky.

"District" means Western Mason County, Kentucky, Water District.

"Engineer" or "Engineers" means the Engineers, or may one of them, who prepared the plans and specifications for the Construction Project and who shall supervise the construction thereof, and shall be deemed to refer to the firm of HMB Professional Engineers, Inc., Frankfort, Kentucky.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fully Registered Bond" shall refer to a single bond or a series of negotiable bonds (subject to the transfer provisions) payable only to the Registered Owner or Owners in substantially the same form set forth as Exhibit A to this Resolution; fully registered as to both principal and interest.

"Grant" means the Grant to the District for the Construction Project from the U.S. Department of Agriculture acting through Rural Development in the amount of approximately \$300,000.

"Independent Consulting Engineer" means an independent Consulting Engineer or firm of Engineers of recognized excellent reputation in the field of water system engineering and such definition includes the Engineers named above.

"Issuer" means the District.

"PSC" means the Public Service Commission of Kentucky.

"KRS" means the Kentucky Revised Statutes.

"KRWFC" means the Kentucky Rural Water Finance Corporation.

"KRWFC Loan" means the Bond Anticipation Notes issued by the District to KRWFC to provide interim financing for the Construction Project under the Loan Agreement between KRWFC and the District.

"Original Purchaser" means the agency, person, firm or firms to which or to whom the Series 2010 Bonds herein authorized are awarded at the Public sale of said Series 2010 Bonds, or their successors, and such definition shall include USDARD if it is the original purchaser of said Series 2010 Bonds.

"Outstanding Bonds" means the District's (i) Water Revenue Bonds, Series of 1988 outstanding as of the date this Resolution is adopted in the principal amount of \$260,000; (ii) Water Revenue Bonds, Series of 1997 outstanding as of the date this Resolution is adopted in the principal amount of \$173,500; (iii) Water Revenue Bonds, Series of 2001 outstanding as of the date this Resolution is adopted in the principal amount of \$241,500 (iv) Water Revenue Bonds, Series A of 2007 outstanding as of the date this Resolution is adopted in the principal amount of \$1,158,000; (v) Water Revenue Bonds, Series B of 2007 outstanding as of the date this Resolution is adopted in the principal amount of \$243,000; and the Series 2010 Bonds upon their issuance.

"Parity Bonds" means bonds issued in the future ranking on the basis of parity as to security and source of payment with the Series 1988 Bonds, the Series 1997 Bonds, the Series 2001 Bonds, the Series A 2007 Bonds, the Series B 2007 Bonds and the Series 2010 Bonds.

"Stimulus Loan" means the Kentucky State Revolving Fund Stimulus (DWSRF) Loan in the amount of approximately \$500,000.

"System" means the water distribution System of the District.

"USDARD" means the United States of America, acting through the U.S. Department of Agriculture, Rural Development.

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

Section II. Approval of Public Service Commission of Kentucky as Prerequisite to Financing: That in order for the District to finance the Construction Project through the issuance of its Bonds, pursuant to the provisions of Chapter 278 of the Kentucky Revised Statutes, the District constitutes a "utility" within the definition of said Chapter and is subject to the jurisdiction of the Public Service Commission of Kentucky and the prior approval of said PSC in accordance with KRS 278.023 is required in regard to the Construction Project and the financing therefor. Accordingly, the Chairman or Secretary of the District is authorized to file a copy of this Resolution and accompanying appropriate documentation in accordance with the provisions of KRS Chapter 278 in order that the District may obtain a Certificate of Public Convenience and Necessity from said Public Service Commission of Kentucky.

Section III. Construction of Extensions, Additions and Improvements; Declaration of Period of Usefulness: The Issuer shall construct the extensions, additions and improvements referred to herein as the Construction Project which is generally described in the plans, specifications and report prepared by the Engineers now on file with the Secretary of the Issuer and PSC, and shall operate said System as a revenue-producing project under the provisions of the Constitution of Kentucky and Chapters 74 and 96 of Kentucky Revised Statutes.

The Issuer hereby declares that the period of usefulness of the entire System is more than forty (40) years from the date of completion of the "Construction Project." All of the streets, alleys and rights-of-way within the jurisdiction of the District are hereby, to the extent required, dedicated to the use of the System.

Section IV. Authorization of Series 2010 Bonds: It has been heretofore determined by the Issuer that the total cost of the construction of the extensions, additions and improvements to the System, including preliminary expenses, land and rights-of-way, engineering expense, interest during construction, legal and administrative expense, publication costs and all necessary and incidental expenses thereto will not exceed approximately \$1,500,000, and after deducting the \$300,000 of USDARD Grant proceeds and \$500,000 of Stimulus Loan proceeds, it is necessary that the Issuer authorize and issue \$700,000 of Water Revenue Bonds, Series of 2010, for the purpose of financing the costs, not otherwise provided, of the aforesaid extensions, additions and improvements under the provisions of Sections 74.370 and 96.350 through 96.510 of Kentucky Revised Statutes. There are hereby authorized to be issued and sold Seven Hundred Thousand Dollars (\$700,000) principal amount of "Western Mason County (Kentucky) Water District Water Revenue

Bonds, Series of 2010". All of said Series 2010 Bonds shall be dated as of the date of delivery to the purchaser thereof, and shall bear interest from such date at a rate or rates as may be fixed by supplemental Resolution as a result of the advertised sale and competitive bidding for said Series 2010 Bonds, as hereinafter provided, and shall be issued and delivered only according to the "Form of Fully Registered Bond," as hereinafter prescribed.

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

Said Bonds shall mature as to principal on January 1 of each of the respective years of maturity. The purchaser(s) of said Bonds shall have the right to elect that such Bonds be issued in denominations of from \$500 to \$700,000, in multiples of \$500, consistent with the schedules of principal maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, SERIES 2010 BONDS

<u>Maturity Date</u>	<u>Principal</u>
January 1	
2013	\$9,000
2014	9,500
2015	9,500
2016	10,000
2017	10,500
2018	11,000
2019	11,000
2020	11,500
2021	12,000
2022	12,500
2023	13,000
2024	13,500
2025	13,500
2026	14,000
2027	14,500
2028	15,000
2029	15,500
2030	16,500
2031	17,000
2032	17,500
2033	18,000
2034	18,500
2035	19,500
2036	20,000
2037	20,500
2038	21,500
2039	22,000
2040	23,000
2041	24,000
2042	24,500
2043	25,500
2044	26,500
2045	27,500
2046	28,500
2047	29,500
2048	30,500
2049	31,500
2050	32,500

Section V. Provisions for Prepayment of Principal. Principal installments due on the Bonds on or after January 1, 2014 shall be subject to prepayment, in whole or in part, on January 1, 2013 and on any date thereafter, in multiples of \$500 in inverse chronological order of installments, upon terms of the principal amount to be prepaid, plus accrued interest to the date of prepayment but without prepayment penalty.

In the event the Issuer elects to prepay less than all of the Bonds, it shall exchange with the Registered Owner at the expense of the Issuer a new Bond or Bonds representing the correct unpaid principal balance following the partial prepayment. Notwithstanding the foregoing, in the event USDARD is the Registered Owner of Bonds upon which a prepayment is made, the Issuer shall not be required to exchange its new Bonds as indicated in the preceding sentence.

Notice of prepayment shall be given by regular United States mail to the Registered Owner of the Bonds to be prepaid not less than thirty (30) days prior to the date fixed for prepayment. All principal payments as to which the Issuer exercises the right of redemption and as to which notice shall have been given, and for the prepayment of which, upon the terms aforesaid, funds are duly provided, shall cease to bear interest on the redemption date so designated.

Notwithstanding any of the foregoing provisions as to prepayment the Series 2010 Bonds may be redeemed at any time from the proceeds of said Bonds remaining unused at the time the Construction Project is completed upon thirty (30) days written notice to the Registered Owner.

Section VI. Series 2010 Bonds Payable From System Revenues; Statutory Mortgage Lien Created. All of said of said Series 2010 Bonds, together with the interest thereon, and any additional parity bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely and only out of the "Western Mason County Water District Waterworks Bond and Interest Sinking Fund" (the "Bond Fund"), established under the provisions of the Resolution authorizing the Outstanding Bonds and shall be a valid claim of the Registered Owners only against such Bond Fund and the System revenues pledged to said Bond Fund, in accordance with the provisions of Chapter 74 and 96 of Kentucky Revised Statutes.

That in accordance with Provisions of KRS 96.400, in addition to the pledge of the income and revenues of the System made to secure the Bonds, the District hereby acknowledges the existence of the statutory mortgage lien upon the System and all appurtenances and extensions thereto in favor of the owners of the Bonds.

The System, together with all extensions and appurtenances, shall remain subject to the statutory mortgage lien created by KRS 96.400 until the payment in full of the principal and interest on the Series 2010 Bonds and any Registered Owner of the Outstanding Bonds or Series 2010 Bonds may, by action at law or in equity, protect and enforce the lien and compel the performance of all duties required by KRS 96.350 through 96.510, and KRS 58.010 through 58.140, including the making and collecting of sufficient rates, the segregation of the income and revenues of the System, and the application thereof of the payment of the Outstanding Bonds and Series 2010 Bonds.

Section VII- Form of Fully Registered Bonds; Execution Authorized. Said Fully Registered Bonds referred to herein shall be in substantially the same form as set form in Exhibit A to this Resolution, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Resolution. The Fully Registered Bonds shall be of a type and composition shall be on paper of sufficient weight and strength to prevent deterioration until the last principal installment due thereon and shall conform in size to standard bond practices.

The Fully Registered Bonds shall be executed by the manual signature of the Chairman, impressed with the corporate seal of the Issuer and attested by the manual signature of the Secretary.

The Registered Owner of any Fully Registered Bonds shall have the right, upon written request to the Issuer and within ninety (90) days following such request, at the expense of the Registered Owner, to exchange Fully Registered Bonds for other Fully Registered Bonds in denominations selected by the Registered Owner in multiples of \$500 consistent with the schedule of principal maturities of said Series 2010 Bonds. New Bonds shall be so issued and substituted only for and upon surrender to the Issuer of the corresponding Bonds so exchanged which shall then be immediately canceled by the Treasurer of the Issuer.

Section VIII. Interim Financing; Bond Anticipation Notes. The Issuer and USDARD have entered into Loan Resolution whereby USDARD has agreed to purchase the Series 2010 Bonds herein authorized in the event the Issuer is unable to sell said Series 2010 Bonds (to obtain credit elsewhere) at reasonable rates and terms taking into consideration prevailing private and corporate rates and terms in the community in accordance with USDARD Regulations. Under the terms of USDARD Regulations, delivery of the Series 2010 Bonds herein authorized and the receipt of the purchase price therefor will not be accomplished until the Construction Project is substantially complete. Therefore, in order to facilitate the completion of the Construction Project pending the issuance and delivery of the Bonds herein authorized, there are hereby authorized to be executed and delivered for the purpose of providing funds for the expenses of the Construction Project incurred in the interim period from the date of the sale of said Series 2010 Bonds until the issuance and delivery of the Series 2010 Bonds "Western Mason County (Kentucky) Water District Water Revenue Bond Anticipation Notes, Series of 2010" in the aggregate principal amount of \$700,000 (hereinafter sometimes referred to as the "Bond Anticipation Notes").

The procedure for the execution of said Bond Anticipation Notes and the disbursement of the proceeds thereof shall be strictly in accordance with the terms of this Resolution and as set forth in this Section VIII.

Notwithstanding any alternate procedure for the issuance of Bond Anticipation Notes herein set forth, the District may elect (by adoption of an appropriate resolution) to enter a Loan Agreement with Kentucky Rural Water Finance Corporation to provide interim financing for said Construction Project. In such an event the Chairman and Secretary are hereby authorized to execute such Loan Agreement and a Bond Anticipation Note in the principal amount of \$700,000 in favor of KRWFC and the procedures for the disbursement of interim loan proceeds by the KRWFC Trustee shall be governed by the terms of said Loan Agreement, including the periodic execution of the required Requisition for Funds or Request for Payment as therein set forth.

There is hereby created a special and separate account of the Issuer which shall be designated as the "Western Mason County, Kentucky, Water District Water System Construction Project Account of 2010" (hereinafter sometimes referred to as the "Construction Account"). Said Construction Account shall be established with the Depository Bank and any deposit in said Construction Account in excess of FDIC insurance coverage shall be secured by the Depository Bank in accordance with U.S. Treasury Department Circular No. 176 by a pledge of collateral with a Federal Reserve Bank. Pending the issuance and delivery of the Bonds all monies received in connection with the Construction Project from the Grant, the proceeds of Bond Anticipation Notes or the KRWFC Loan shall be deposited in said Construction Account and shall be applied to meet the costs incident to said Construction Project pending the delivery of the Bonds.

The Engineers shall prepare one or more Estimate of Funds Needed (RD Form 440-11), which will show the amount of funds needed during the 30-day period following the submission of such estimate (in a form satisfactory to USDARD), and which Estimates shall be executed by a representative of said Engineers in charge of the Construction Project, stating that the amount requested under said Estimate represents an estimated sum to be earned by and due to contractors under contracts with the Issuer for work performed or materials furnished in connection with said Construction Project. Each Estimate of Funds Needed shall be countersigned by the Chairman and approved by USDARD. In regard to items of expense in connection with the Construction Project not relating to construction contracts, the Engineer's executions of the Estimate of Funds shall not be necessary and an Estimate of Funds for projected expenses of this type shall be signed only by the Chairman and approved by the duly authorized representative of USDARD.

The Estimate of Funds Needed (properly countersigned) shall be submitted to the Chairman and Secretary, who, upon the receipt thereof, shall be authorized to execute a Bond Anticipation Note or Notes in accordance with the terms of this Resolution in the aggregate amount represented by the Estimate of Funds submitted.

Upon the execution of the Bond Anticipation Notes, same shall be delivered to the purchaser thereof, whether said purchaser be a bank or USDARD, and the proceeds received therefrom shall be deposited in the Construction Account and disbursed from said Account in accordance with the terms of this Resolution.

All requests for disbursements from the Construction Account shall be accompanied by one or more vouchers (Partial Payment Estimates, RD Form 1924-18) executed by a representative of the Engineers in charge of said Construction Project certifying that the amount requested represents a sum actually earned by and due to contractors under a contract with the Issuer for work performed or for materials furnished to the Issuer in connection with said Construction Project. Each such voucher shall likewise be countersigned by the Chairman and approved by the duly authorized representative of USDARD. To the extent a requested disbursement from said Construction Account shall be for items not relating to construction contracts, a voucher (in a form satisfactory to USDARD) for such disbursement signed only by the Chairman and approved by the duly authorized representative of USDARD shall be submitted stating that the requested advance represents an expenditure which may be properly made under the terms of the USDARD Loan Resolution and is eligible for payment by the Issuer from the proceeds of the Bonds herein authorized.

Disbursements from the Construction Account shall be made by check signed by the Treasurer of the Issuer countersigned by the duly authorized representative of USDARD (if so required by USDARD) and shall be made only upon the Treasurer's receipt of such voucher.

Notwithstanding anything contained in this Resolution to the contrary, no disbursements shall be made from the Construction Account nor shall any Bond Anticipation Notes be issued and delivered unless and until the Issuer has certified and USDARD has accepted the existence of not less than 1,032 water users of the System, all of which are existing users of the System.

The position of Treasurer of the Issuer shall be covered by a Fidelity Bond in the amount of not less than \$161,000 with a surety company approved by USDARD; the Issuer and USDARD shall be named Co-obligees in such Bond, and the amount thereof shall not be reduced without the written consent of USDARD. Should the aggregate total of the deposits in the various accounts authorized to be maintained under the provisions of this Resolution equal more than \$150,000 at any one time during the year the Fidelity Bond of the Treasurer of the Issuer will be increased to cover the larger amount so accumulated; including the period during which the Construction Account is being utilized.

The Bond Anticipation Notes shall be in substantially the same form as the Bond Anticipation Note attached to and made a part of this Resolution and marked for identification as Exhibit B. The Chairman and Secretary are hereby authorized to execute said Notes periodically but in an aggregate principal amount not to exceed \$700,000 upon their receipt of the duly executed Estimate of Funds in accordance with the preceding paragraphs of this Section.

Said Bond Anticipation Notes shall be dated as of the date of the execution thereof and shall bear interest payable at maturity. The principal maturity date for all of said Notes shall be on or before two (2) years from the date this Resolution is adopted. All of said Notes shall be subject to payment prior to their stated maturity, with or without penalty or premium, as the Board of Water Commissioners may determine, on any interest payment date upon ten (10) days' written notice of such prior redemption to the Registered Owner thereof.

The Bond Anticipation Notes herein authorized shall be payable solely from and secured by (i) the proceeds derived from the issuance of the Series 2010 Bonds herein authorized, or (ii) the proceeds of other interim financing loans made in anticipation of the issuance of such Series 2010 Bonds.

Said Notes are authorized in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to KRS 58.150, KRS 56.513, KRS 96.350 through KRS 96.510 and KRS 58.010 through 58.140 of the Kentucky Revised Statutes.

The authority hereby delegated to the Chairman and Secretary in regard to the execution of a total aggregate principal amount of \$700,000 of Notes includes the execution of renewal notes in evidence of the renewal and extension of Notes becoming due, providing the aggregate of the principal amount of all such Bond Anticipation Notes outstanding and payable shall not exceed \$700,000 and providing any Note which is renewed or superseded is simultaneously canceled and transmitted to the Issuer. The maximum aggregate principal amount of Bond Anticipation Notes permitted by this Resolution shall include the interest on said Notes.

Notwithstanding anything contained in this Resolution to the contrary, the Issuer covenants that no Bond Anticipation Notes shall be issued and delivered unless and until the Bonds have been sold at public sale in accordance with law.

The Issuer further covenants simultaneously with the issuance and delivery of said Series 2010 Bonds to the successful purchaser, all amounts due, owing and unpaid on said Bond Anticipation Notes or KRWFC Loan shall be repaid at said time of delivery, including principal and interest.

In the event there may from time to time be on deposit in said Construction Account funds which are not immediately needed for the payment of construction costs, same may be invested, but only in the manner permitted by USDARD; provided, however, that no deposit in said Construction Account or any other fund provided for hereunder shall be used or invested in any manner which would cause the Series 2010 Bonds to become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or any Regulations of the U.S. Treasury Department interpreting same.

By the adoption of this Resolution, the Issuer covenants with the Registered Owners of the Series 2010 Bonds that it will not issue over \$5,000,000 of its debt obligations in the calendar year in which the Series 2010 Bonds are delivered and hereby designates the Series 2010 Bonds as "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code").

Subsequent to the delivery of the Bonds and the payment in full of the Bond Anticipation Notes upon certification by the Engineers that the Construction Project is complete in accordance with the plans and specifications and all items of expense have been paid, the balance, if any, remaining in said Construction Account shall be transferred to the Bond Fund and said Construction Account shall be closed.

Section IX. Delivery of the Series 2010 Bonds; Payment of Bond Anticipation Notes; Disbursement of Series 2010 Bond Proceeds. Upon the delivery of the Series 2010 Bonds herein authorized, the following distribution of the proceeds of said Series 2010 Bonds shall be made simultaneously with said delivery and receipt of payment (the "Date of Closing"):

(A) Simultaneously with the delivery of the Series 2010 Bonds, all amounts due and owing by the Issuer on interim construction loans evidenced by the Bond Anticipation Notes or KRWFC Loan, including principal and interest, and prepayment premium, if any, shall be paid in full and the Notes canceled or Loan retired.

(B) After observing the priority of the disbursement set forth in subparagraph (A) above, and simultaneously with the delivery of the Series 2010 Bonds, the balance of the proceeds of said Bonds remaining after the payment of the expenses incident to their authorization and sale, shall be transferred to the Construction Account established by Section VIII of this Resolution.

Section X. Disposition of Water System Revenues. From and after the delivery of any of the Series 2010 Bonds authorized under the provisions of this Resolution, the System shall be operated on a fiscal year basis and on that basis all income and revenues derived directly or indirectly from the operation of said System shall be deposited promptly and as received first to the credit of a separate and special account known as the "Western Mason County Water District Water Revenue Fund" (the "Revenue Fund"), established by the Resolution authorizing the Outstanding Bonds. Such Revenue Fund shall be held separate and apart from all other funds of the Issuer and shall be maintained so long as any of the Outstanding Bonds and Series 2010 Bonds are outstanding and payment is not provided therefor. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(A) So long as any of the Series 2010 Bonds remain outstanding and payment is not provided for the separate and special account known as the "Western Mason County Waterworks Bond and Interest Sinking Fund" (the "Bond Fund" or "Sinking Fund") established by the Resolution authorizing the Outstanding Bonds shall be maintained. Commencing with the month following the month in which the Series 2010 Bonds are delivered, there shall be transferred from the Revenue Fund to the Bond Fund a monthly amount equal to the total of the following:

(1) A sum equal to one-sixth (1/6) of the interest requirements becoming due on the Outstanding Bonds and Series 2010 Bonds on the next succeeding interest due date.

(2) A sum equal to one-twelfth (1/12) of the principal requirements becoming due on the Outstanding Bonds and Series 2010 Bonds on the next succeeding January 1.

Notwithstanding anything contained herein to the contrary, in the event that USDARD is the Registered Owner of the Series 2010 Bonds, then in the event USDARD so desires, payments to USDARD from the Bond Fund for interest and principal installments on the Outstanding Bonds and Series 2010 Bonds shall be made directly to USDARD on a monthly basis. All payments to USDARD shall be made by Electronic Funds Transfer/Automated Clearing House ("EFT/ACH"). It is provided further be made that so long as USDARD is the Registered Owner of the Series 2010 Bonds, monies on deposit in all of the various accounts established or affirmed by this Resolution shall be secured as required by USDARD Regulations.

(B) So long as any amounts are owed by the District to the Kentucky Infrastructure Authority, a separate and special account shall be maintained, designated as the "KIA Loan Fund" and after observing the priorities of the transfers set forth in Subsections A and B above, monthly transfers shall be made to said KIA Loan Fund from the Revenue Fund adequate to meet the principal and interest requirements of the KIA Loan in accordance with terms of the Stimulus Loan from KIA.

(C) The separate and special account designated as the "Depreciation Reserve Fund" established by the Resolutions authorizing the Outstanding Bonds shall be maintained so long as any of the Outstanding Bonds and Series 2010 Bonds remain outstanding. There shall be transferred to the Depreciation Fund from the balance of the income and revenues of the System remaining after the transfers required in Subsections (A), (B) and (C) to the extent of \$1,510 (formerly \$1,230) per month so long as the series 2010 Bonds remain outstanding: Said Depreciation Fund shall be utilized in making good any depreciation in the properties of said System, in financing extensions, additions or improvements to the System, or, in preventing a default in the payment of principal and interest requirements for the Outstanding Bonds or Series 2010 Bonds.

In addition, the sum of \$1,100 shall be deposited monthly in a separate and segregated sub-account within the Depreciation Fund designated as the "Short-lived Asset Account" to be used as need to replace or add short-lived assets in the District's water System.

There shall also be deposited in the Depreciation Fund proceeds from the sale of any equipment no longer usable or needed, fees or charges, if any, collected from potential customers, and the proceeds of any property damage insurance not immediately used to replace the damaged or destroyed property. Monies in the Depreciation Fund shall be used for making extraordinary maintenance repairs, renewals, or replacements to the System and for paying the cost of constructing improvements or extensions to the System which will either enhance the revenue producing capacity of the System or provide a higher degree of service, and no withdrawals shall be made for any other purposes; provided, however, that moneys on deposit in the Depreciation Fund shall be available for the principal and interest requirements on the Outstanding Bonds and Series 2010 Bonds, if, for any reason, and whenever sufficient funds are not available in the Bond Fund.

If in any year the Issuer shall, for any reason, fail to pay into to said Bond Fund, Capital Lease Account, KIA Loan Fund or Depreciation Fund the full amounts stipulated in Subsections (A), (B), and (C), then an amount equivalent to one hundred ten percent (110%) of such deficiency shall be set apart and paid into said Funds from the first available income and revenues of the System in the following year or years, and said payments shall be in addition to the amounts otherwise herein provided for in said succeeding year or years.

Monies on deposit in said Bond Fund, Capital Lease Account, KIA Loan Fund or Depreciation Fund may be invested in direct obligations or guaranteed bonds or securities of the United States of America having a maturity date or being subject to redemption at the option of the holder not more than five (5) years from the date of the investment therein, and all such investments, as well as income therefrom, shall be carried to the credit of the respective Fund from which the investment was made.

(D) The separate and special account designated as the "Operation and Maintenance Fund" established by the Resolutions authorizing the Outstanding Bonds shall be maintained and so long as the Outstanding Bonds and the Series 2010 Bonds remain outstanding there shall continue to be transferred to the Operation and Maintenance Fund from the Revenue Fund the income and revenues of the System remaining after the transfers required under Subsections (A), (B), and (C) hereof for the purpose of providing for the proper operation and maintenance expenses of the System, including the expense of carrying sufficient insurance on the System of a character and in amounts as will properly insure the properties and, in addition, carrying liability insurance in character and amounts deemed necessary (all of which insurance shall be carried and maintained in effect) but not limited to such expenses. Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance expenses of such System are met and a two (2) month operating reserve established and maintained. Any funds remaining in such Operation and Maintenance Fund after meeting the expenses of operating such System and maintaining such two (2) month reserve shall be transferred to the Depreciation Fund.

All transfers required by Subsections (A), (B), (C) and (D) above shall be made on the 1st day of each month unless such day be Sunday or a legal holiday, in which event such transfers shall be made on the next succeeding secular day.

All funds referred to in Subsections (A), (B), (C) and (D) above are to be deposited with a bank or banks which is a member or are members of the Federal Deposit Insurance Corporation and, to the extent the aggregate deposits of the Issuer in such bank or banks exceed FDIC coverage, shall be secured by a pledge of obligations of or obligations which are fully guaranteed by the United States Government having a market value equal to the amount of such excess.

All funds referred to in Subsections (A), (B), (C) and (D) above may be invested in direct obligations of or obligations which are fully guaranteed by the United States Government with such maturities so that monies shall be available in the respective Funds for the purposes for which same are established.

The Issuer covenants to the Registered Owners of the Series 2010 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 2010 Bonds at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 2010 Bonds, would have caused such Series 2010 Bonds to be arbitrage bonds. Upon the delivery of the Series 2010 Bonds the Secretary or Treasurer of the District will be authorized to execute a Non-Arbitrage Certificate prepared by Bond Counsel under which the District will covenant to conform the requirements of the Code, including the provisions thereof relating to rebate of "excess earnings" from the various funds established under this Resolution and other funds of the District to the extent same are applicable.

By the adoption of this Resolution the District hereby designates the Series 2010 Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of said Code.

The Treasurer of the Issuer shall be responsible for all of the various special Funds established by this Resolution and shall at all times be covered by a Fidelity Bond in accordance with the provisions of Section VIII of this Resolution.

Section XI. No Priority Among Bonds. That the Outstanding Bonds and Series 2010 Bonds shall not be entitled to priority one over the other in the application of the income and revenues of said System, or with respect to the security for their payment, regardless of the time or times of their issuance.

Section XII. General Covenants Issuer. The Issuer, through adoption of this Resolution, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 2010 Bonds, that so long as the same or any part thereof remain outstanding and unpaid:

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

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

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

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except that if the Issuer shall determine by resolution that any identified properties of the System are worn out, obsolete, or otherwise no longer useful and needed, the same may be sold or exchanged as the Issuer may order, and if sold for cash, the proceeds shall be deposited in the Depreciation Fund and be available for any authorized purpose of said Fund.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System and the same shall be reasonable and just taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all the Outstanding Bonds and the Series 2010 Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the issuance of the Series 2010 Bonds, the Issuer will adopt a budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the Secretary of the District and furnish copies thereof to the Registered Owner of any Series 2010 Bond upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, and required payments into the Sinking Fund and Depreciation Fund. The Issuer covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the governing body of the Issuer determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the Issuer agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year and, to the extent that said gross revenues are insufficient to provide for all payments required to be made under Section X hereof during such ensuing fiscal year, it will revise its rates and charges for service rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Bonds herein authorized which shall not be reduced unless an independent, recognized, and reputable Independent Consulting Engineer not in the regular employ of the Issuer gives and files in the office of the Secretary of the District a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current bond service requirements, depreciation requirements, operation and maintenance requirements and their respective reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section X of this Resolution.

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

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any Registered Owner, and any agent or representative of a Registered Owner. Additionally, if requested to do so by the original purchaser of the Series 2010 Bonds, said Issuer will furnish to such

original purchaser a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section X hereof.

(I) It will, within sixty (60) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the Issuer on a monthly salary basis, showing all receipts and disbursements, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the office of the Secretary of the District where it will be available for public inspection, and will promptly mail a copy thereof to the Registered Owners. If requested to do so, the Issuer will furnish to any Registered Owner a condensed form of the Balance Sheet and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided.

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

(K) If there be any default in the payment of the principal of or interest on any of said Series 2010 Bonds, then upon the filing of suit by any Registered Owner of said Series 2010 Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the Issuer with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of current expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The Issuer will cause each municipal officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the governing body of the Issuer, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid for monies available in the Operation and Maintenance Fund. In the event USDARD is the purchaser of the Bonds, USDARD shall be a co-obligee on said bond.

(M) It is permitted and provided by Sections 74.30 and 96.350 through 96.510 of the Kentucky Revised Statutes that any water district may finance the cost of construction of additions, extensions and improvements to its water distribution system by the issuance of revenue bonds, secured solely by the revenues of the System, and the Board of Water Commissioners of the District has so determined in regard to the Outstanding Bonds and Series 2010 Bonds.

Section XIII. Registered Owner's Rights to Enforce Covenants. Any Registered Owner of the Series 2010 Bonds, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said Issuer and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of said System including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Bonds or Series 2010 Bonds, then upon the filing of suit by any Registered Owner of any of said Outstanding Bonds or Series 2010 Bonds, any court having jurisdiction of the action may appoint a receiver to administer the said System on behalf of the Issuer, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with this Resolution and with the provisions of Sections 96.350 through 96.510 of Kentucky Revised Statutes. Reasonable attorneys fees and court costs incurred by any Registered Owner in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the System properties securing the Series 2010 Bonds herein authorized.

Section XIV. Special Covenants Applicable So Long As USDARD Holds Any Bonds. So long as the USDARD shall hold the any of the Series 2010 Bonds, the Issuer shall comply with such regulations, requirements and requests as have been made by the USDARD, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by the USDARD, the carrying of insurance of such types and in such amounts as the USDARD may specify with insurance carriers acceptable to USDARD, and compliance with all the terms and conditions of the Loan Resolution between the Issuer and USDARD.

In addition, so long as USDARD shall hold the any of the Series 2010 Bonds, the Issuer shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the security interest of the Registered Owner of any Series 2010 Bonds, except for current payment in full.

Section XV. No Priority Among Series 2010 Bonds. The Series 2010 Bonds authorized herein and the Outstanding Bonds shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Outstanding Bonds and Series 2010 Bonds authorized by this Resolution regardless of the fact that they may be actually issued in different Series and delivered at different times.

Section XVI. Insurance.

(A) **Fire and Extended Coverage.** If and to the extent that the System includes structures above ground level (including equipment and machinery but not including water reservoirs, standpipes, elevated tanks and non-combustible materials) the Issuer shall, upon the sale of the Series 2010 Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Series 2010 Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

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

(B) **Liability Insurance on Facilities.** Upon the sale of said Series 2010 Bonds, the Issuer shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2010 Bonds are outstanding public liability insurance relating to the operation of the facilities of the System with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the Issuer from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the Issuer's operations of the System and any other facilities constituting a portion of the System.

(C) **Vehicle Liability Insurance.** If and to the extent that the Issuer owns or operates vehicles in the operation of the System upon receipt of the proceeds of the Series 2010 Bonds, the Issuer shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2010 Bonds are outstanding vehicular public liability insurance with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the Issuer from claims for bodily injury and/or death, and not less than \$20,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Issuer.

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

Section XVII. Additional Parity Bonds. The District covenants and agrees not to issue any other obligations of any kind payable in whole or in part from or secured by the revenues of the System except after meeting the conditions hereinafter set forth, unless the lien of such obligations is junior and subordinate in all respects to the lien in favor of the Registered Owners of the Series 2010 Bonds except only to the extent specifically authorized herein.

Said District hereby reserves the right and privilege of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity as to security and source of payment with the Outstanding Bonds and Series 2010 Bonds, subject to the conditions and restrictions set forth in the following lettered paragraphs of this Section:

(A) In the event the costs of construction or completion of the Construction Project, as is set out in the plans and specifications of the Engineers, and presently on file in the office of the District, shall exceed the estimated costs contained in said report, the District agrees to deposit into the Construction Account, in addition to any other funds deposited therein to cover the original estimated costs of the Construction Project, such funds as may be necessary to pay the excess costs not already provided for. If necessary, the District may provide such excess, and only such excess, through the issuance of Parity Bonds and the sale thereof.

(B) The District shall have the right to add new water facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues pledged to the Outstanding Bonds and Series 2010 Bonds, provided in each instance that:

1. The facility or facilities to be built for the proceeds of the additional Parity Bonds is or are made a part of such System and its or their revenues are pledged as additional security for the additional Parity Bonds, the Outstanding Bonds and the Series 2010 Bonds;

2. The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds and Series 2010 Bonds payable from the revenues of the System or any part thereof;

3. The annual net revenues, defined as gross revenues less current expenses, of such System for the fiscal year next preceding the issuance of additional Parity Bonds, are certified by an independent public accountant, to have been equal to at least one and one-twenty hundredths (1.20) times the average annual requirements for principal and interest on all Bonds, including the Outstanding Bonds, the Series 2010 Bonds, and any additional Parity Bonds then outstanding and payable from the revenues of the System;

4. The District shall adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in the provisions establishing said Sinking Fund and by this Resolution in order to reflect the required annual debt service requirements on the additional Parity Bonds.

5. The District shall adjust the maximum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Fund by the Resolutions authorizing the Outstanding Bonds and Series 2010 Bonds, taking into account the future replacement costs of the facilities to be constructed and acquired with the proceeds of such additional Parity Bonds.

6. Such additional Parity Bonds shall be payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such additional Parity Bonds.

7. The District has obtained the written consent of USDARD for the issuance of such Parity Bonds if USDARD is the Registered Owner of any of the Series 2010 Bonds at the time of the issuance of such Parity Bonds or the written consent of the Registered Owners of 75% in principal amount of the Outstanding Bonds and Series 2010 Bonds if same are not then held by USDARD.

Section XVIII. Contractual Nature of Bond Resolution. The provisions of this Resolution shall constitute a contract between the Issuer and the Registered Owners of the Series 2010 Bonds; and after the issuance of any of said Series 2010 Bonds no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of said Series 2010 Bonds and the interest thereon have been paid or provided for in full; provided the Issuer may enact other resolutions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto, subject to the condition that this Resolution shall not be so modified in any manner that may adversely affect the rights of any certain Registered Owners without similarly affecting the rights of the Registered Owners of all Series 2010 Bonds.

Section XIX. Sale of Bonds. The Secretary of the District is hereby authorized and directed to cause notice for bids for the purchase of said Series 2010 Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Series 2010 Bonds, to be sold, the time of sale and other details concerning the Series 2010 Bonds and shall inform prospective bidders that a copy of the Official Notice of Sale of Bonds, setting out the maturities, security of the Series 2010 Bonds, provisions as to redemption prior to maturity, and related information may be obtained from the Issuer. Such Official Notice shall contain the following bidding requirements:

- (A) Bidders are required to bid a cash price of not less than par value of the Series 2010 Bonds.
- (B) Interest rates must be in multiples of 1/8 or 1/20 of 1%, with not more than one interest rate per maturity being stipulated by any bidder.
- (C) Bids will be considered only for the entire issue.
- (D) Bidders' (except the USDARD) are required to make a good faith deposit by cashier's check or certified check payable to the Issuer, which check shall accompany the bid, in the minimum amount of 2% of the face amount of the Bonds. Checks of the unsuccessful bidders will be returned promptly after being opened.
- (E) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Series 2010 Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to final maturity.
- (F) Bidders shall be advised that USDARD has entered into a Loan Resolution with the Issuer pursuant to which said USDARD reserves the right to withdraw its bid in the event bids are received from others on terms which USDARD considers reasonable.
- (G) The Issuer expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the Series 2010 Bonds at the office of the Secretary of the District within forty-five (45) days after notice is given of the award. If said Series 2010 Bonds are not ready for delivery and Payment within forty-five (45) days from the aforesaid date of sale, the successful bidder(s) shall be relieved of any liability to accept delivery of any of the 2010 Bonds. In the event USDARD is the successful bidder, it is anticipated that delivery of the Series 2010 Bonds will be made at the time the Construction Project is substantially complete and the Issuer's failure to deliver said Series 2010 Bonds within forty-five (45) days from said date of sale shall not relieve USDARD of its obligation to accept said Series 2010 Bonds.
- (H) The Issuer reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.
- (I) The Series 2010 Bonds will be tendered within said forty-five (45) day period and the successful bidder will receive the approving legal opinion of Henry M. Reed III, Bond Counsel, Louisville, Kentucky, as to the legality and tax-exemption of said Series 2010 Bonds, without additional cost to the successful bidder.

In the event that there is no bid or that all bids are rejected, the Issuer may re-advertise the sale pursuant to this Resolution.

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

- (A) Legal Services Agreement with Bond Counsel.
- (B) Legal Services Agreement with Local Counsel.
- (C) Letter of Intent to Meet Conditions of USDARD Letter of Conditions (USDARD Form 442-46).
- (D) Loan Resolution (USDA Form 442-47).
- (E) Agreement for Engineering Services with the Engineers.
- (F) Water Purchase Contract with the City of Maysville, Kentucky.
- (G) USDARD Grant Agreement and Kentucky State Revolving Fund Stimulus (DWSRF) Loan Agreement.

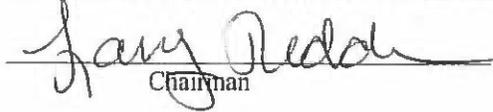
Section XXI. Floodplain Construction Prohibited. From and after the adoption of this Resolution no water service provided by the System shall be made available to any future customer wishing to build within a designated flood plain, including the area served by the Construction Project. Notwithstanding the foregoing, nothing herein shall be construed as a prohibition against the District providing water service to users of the System existing at the time this Resolution is adopted.

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

Section XXIV. Effective Date of Resolution. Upon the receipt of the approval of the Public Service Commission of Kentucky this Resolution shall take effect from and after its passage and approval.

Passed and adopted on November 16, 2009, ~~2010~~

WESTERN MASON COUNTY WATER DISTRICT


Chairman

ATTEST:


Secretary

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF MASON
WESTERN MASON COUNTY WATER DISTRICT
WATER REVENUE BOND, TAXABLE SERIES OF 2010
DATED NOVEMBER 4, 2010 (BUILD AMERICA BONDS-DIRECT PAY TO ISSUER)

No. R-700

\$700,000

KNOW ALL MEN BY THESE PRESENTS:

That the Western Mason County Water District, Mason County, Kentucky, acting by and through its governing body (the "Issuer" or "District"), for value received, hereby promises to pay to the Registered Owner hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of Seven Hundred Thousand Dollars (\$700,000) on the first day of January, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2013	\$ 9,000	2026	\$14,000	2039	\$ 22,000
2014	9,500	2027	14,500	2040	23,000
2015	9,500	2028	15,000	2041	24,000
2016	10,000	2029	15,500	2042	24,500
2017	10,500	2030	16,500	2043	25,500
2018	11,000	2031	17,000	2044	26,500
2019	11,000	2032	17,500	2045	27,500
2020	11,500	2033	18,000	2046	28,500
2021	12,000	2034	18,500	2047	29,500
2022	12,500	2035	19,500	2048	30,500
2023	13,000	2036	20,000	2049	31,500
2024	13,500	2037	20,500	2050	32,500
2025	13,500	2038	21,500		

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America; and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, in like coin or currency, at the rate of three per cent (3.00%) per annum, semi-annually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, to the Registered Owner at the address shown on the registration books of the Issuer.

This Bond is one of a duly authorized issue of bonds in the total principal amount of Seven Hundred Thousand Dollars issued by the Issuer pursuant to duly adopted Resolutions for the purpose of financing the costs, not otherwise provided, of the construction of extensions, improvements and additions (the "Project") to the water distribution system of the Issuer (the "System") and related facilities. This Bond is issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including specifically, Sections 74.370 and 96.350 through 96.510 of the Kentucky Revised Statutes.

This Bond does not constitute an indebtedness of the Issuer, within the meaning of any constitutional or statutory limitations, but is payable as to both principal and interest solely and only out of the revenues derived from the operation of the System of said Issuer, a sufficient portion of which revenues, to pay the principal of and interest on all of said Bonds, as and when same become due and payable, shall be set aside and deposited in the "Western Mason County Water District Waterworks Bond and Interest Sinking Fund". In accordance with the provisions of Section 96.400 of the Kentucky Revised Statutes, in addition to the pledge of the income and

revenues of the System securing said Bonds, the Issuer hereby acknowledges the existence of a statutory mortgage lien upon the System in favor of the Registered Owner hereof. The Issuer, acting by and through its governing body, covenants that it will fix and revise the rates and charges for the services and facilities of said System and collect and account for the income and revenues therefrom to pay promptly the principal of and interest on this Bond and the issue of which it is one as the same become due and to pay when due all costs and expenses incident to the operation and maintenance of said System.

Said Bond ranks on the basis of parity as to security and source of payment with the Issuer's outstanding Water Revenue Bonds, Series of 1988, dated May 1, 1990, Series of 1997, dated October 7, 1997, Series of 2001, dated January 11, 2002, Series A of 2007, dated May 8, 2008 and Series B of 2007, dated May 8, 2008 (the "Outstanding Bonds") by virtue of a waiver and consent executed by the Registered Owner of all of said Outstanding Bonds.

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

As provided in the Bond Resolution this Bond is exchangeable at the expense of the Registered Owner hereof at any time, upon ninety (90) days' written notice, at the request of such Registered Owner and upon surrender of this Bond to the Issuer at the office of the Secretary to the Issuer, for other Fully Registered Bonds in the denominations in multiples of Five Hundred Dollars (\$500) selected by the Registered Owner as long as the selected denomination(s) are consistent with the maturities hereof, in an aggregate principal amount equal to and maturing in conformity with the unpaid principal amount of this Bond.

The Issuer, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2013, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in multiples of Five Hundred Dollars (\$500) as the Issuer may determine, at a price in an amount equivalent to the principal amount to be prepaid, plus accrued interest to the date of prepayment, without any prepayment penalty. Notice of such redemption shall be given by regular United States mail to the Registered Owner of this Bond or his assignee, at least thirty (30) days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Registered Owner of this Bond.

Notwithstanding the foregoing provisions as to prepayment, this Bond may be paid as to principal without premium on any interest payment date from Bond proceeds remaining unused at the time of completion of the Project. Notice of such prepayment shall be given as set forth in the preceding paragraph hereof.

Notwithstanding the foregoing provisions as to prepayment, in the event the United States Department of Agriculture, Rural Development is the Registered Owner of this Bond, the Issuer shall have the right to make prepayments of principal on any interest payment date without premium and without the exchange of this Bond.

Upon default in the payment of any principal of or interest payment on this Bond (or on any other Bond of this issue of which it forms a part) or upon failure by the Issuer to comply with any other provisions of this Bond or with the provisions of the Bond Resolution, the Registered Owner may, at his option, institute all rights and remedies provided by law or by said Bond Resolution.

This Bond is exempt from ad valorem and income taxation by the Commonwealth of Kentucky and all of its political subdivisions as of the date same is issued and delivered. Interest on this Bond is includable in the gross income of the recipient thereof for Federal income tax purposes.

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

IN WITNESS WHEREOF, Western Mason County Water District, in the County of Mason, the Commonwealth of Kentucky, by its governing body, has caused this Bond to be executed by its Chairman and attested by its Secretary, on the date of this Bond, which is November 4, 2010.

WESTERN MASON COUNTY WATER DISTRICT

By _____
Chairman

ATTEST:

Secretary

PROVISION FOR REGISTRATION

This Bond is registered as hereinafter set out, and this Bond may thereafter be transferred only upon written transfer acknowledged by the Registered Owner or his attorney, such transfer to be made and endorsed hereon as indicated.

(FORM OF REGISTRATION)

Date of	:	In Whose Name	:	Signature of the Secretary
Registration	:	Registered	:	of District
- -	:	United States Department	:	_____
	:	of Agriculture,	:	
11 - 04 - 10	:	Rural Development	:	_____
:	:		:	
	:	771 Corporate Plaza	:	_____
	:	Lexington, Kentucky	:	
	:	40504	:	_____

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF WESTERN MASON COUNTY WATER DISTRICT AMENDING RATES AND CHARGES FOR WATER SERVICE PROVIDED BY THE DISTRICT.

WHEREAS, Western Mason County Water District (the "District") will apply to the Kentucky Public Service Commission ("PSC") for a Certificate of Public Convenience and Necessity authorizing and permitting said District to construct water distribution system improvements consisting of replacement of old AC lines with 8" PVC in the Germantown area including approximately 57,250 feet of water line replacement & upgrade (the "Construction Project"), and,

WHEREAS, the District proposes to finance said Construction Project through the issuance of \$700,000 of the District's "Water Revenue Bonds, Series of 2010," (the "Bonds") to the United States Department of Agriculture, Rural Development ("USDARD") supplemented by a \$300,000 Grant from USDARD and a \$500,000 Kentucky State Revolving Fund Stimulus Loan (DWSRF), and,

WHEREAS, the District will apply to the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity and approval of a Schedule of increased Rates and Charges for water service in accordance with the USDARD Letter of Conditions, dated July 15, 2009, and

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WESTERN MASON COUNTY WATER DISTRICT AS FOLLOWS:

1. That subject to PSC approval commencing with the billing period corresponding to the month following the month in which the approval of the Public Service Commission is obtained, the District's rates and charges for water service shall be as follows:

<u>Gallonage Block</u>		<u>Existing Rates</u>	<u>New Rates</u>
First	2,000 gallons	\$25.00 Minimum Bill	\$27.50 Minimum Bill
Next	8,000 gallons	3.55 per 1,000 gallons	4.00 per 1,000 gallons
All over	10,000 gallons	3.00 per 1,000 gallons	3.50 per 1,000 gallons
Bulk Sales		3.75 per 1,000 gallons	4.20 per 1,000 gallons

2. That all other rates and charges not specifically mentioned herein shall remain as presently effective.

3. That all resolutions or parts thereof in conflict with the provisions of this Resolution are hereby repealed to the extent of such conflict.

4. That this Resolution shall become effective upon its adoption and approval of the Public Service Commission.

Passed and adopted this 16 day of November, 2009.

WESTERN MASON COUNTY WATER DISTRICT

Sam O'Leary
Chairman

Attest:

Pam Carpenter
Secretary

RECEIVED

DEC 23 2014

**PUBLIC SERVICE
COMMISSION**

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

FUND F

PROJECT NUMBER: F2 09-14

BORROWER: Western Mason Water District

BORROWER'S ADDRESS: 2573 Mary Ingles Highway
PO Box 49
Dover, Kentucky 41034

DATE OF ASSISTANCE AGREEMENT: December 1, 2009

CFDA NO.: 66.468

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency"):

WITNESSETH

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Program as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of Projects, as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize and manage the resources of the Commonwealth of Kentucky (the "Commonwealth") for the protection and preservation of the health, safety, convenience, and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of November 1, 1998, as amended, supplemented or restated from time to time (the "Federal Agreement"), under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of February 1, 2000 (the "Indenture") between the Authority and U.S. Bank, National Association, as lawful successor in interest to National City Bank of Kentucky (the "Trustee"), in order to provide the "match funding" for the Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to finance the acquisition and construction of the Project, as hereinafter defined, and the Authority has determined that the Project is a Project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the purpose of securing from the Authority the repayable Loan hereinafter identified; and

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

herein contained to repay the Loan and the interest thereon from the sources herein provided, all as hereinafter more specifically provided; and

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

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

ARTICLE I

DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Agency and its Project.

"*Act*" shall mean Chapter 224A of the Kentucky Revised Statutes, as amended.

"*Administrative Fee*" means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Project Specifics.

"*Architects*" means the firm of consulting architects employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"*ARRA*" shall mean the American Recovery and Reinvestment Act of 2009.

"*Assistance Agreement*" shall mean this agreement made and entered into by and between a Governmental Agency and the Authority, as authorized by the Act, providing for a Loan to the Governmental Agency by the Authority, and for the repayment thereof to the Authority by the Governmental Agency.

"*Authority*" shall mean the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky, or such other designation as may be effected by future amendments to the Act.

"*Bond*" or "*Bonds*" or "*Revenue Bonds*" shall mean any Kentucky Infrastructure Authority Bond or Bonds, or the issue of such Bonds, as the case may be, authenticated and delivered under the Indenture.

"*Business Day*" shall mean any day other than a Saturday, Sunday or other legal holiday on which the general offices of the Commonwealth are closed.

"*Cabinet*" means the Energy and Environment Cabinet of the Commonwealth.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"*Commonwealth*" shall mean the Commonwealth of Kentucky.

"*Construction*" shall mean construction as defined in the Act.

"*Debt Obligations*" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

"*Drinking Water Supply Project*" shall mean the planning, design and construction of drinking water treatment and distribution systems, including expenditures to address Federal Act health goals, or to address situations where compliance standards have been exceeded or to prevent future violations of rules, and may further include drinking water treatment plants, including basins for rapid mix, flocculation, coagulation, filtration, pre-treatment disinfection, and disinfection prior to entry to the distribution system; distribution systems; storage tanks; intake lines and short-term water storage; clearwells; drilled wells and wellhead areas; and any other structure or facility considered necessary by the Cabinet to the efficient and sanitary operation of a public water system and complies with the requirements of the Federal Act.

"*Engineers*" means the firm of consulting engineers employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"*Federal Act*" shall mean the Federal Safe Drinking Water Act, as amended, 42 U.S.C. Section 1401, et seq.

"*Governmental Agency*" shall mean any incorporated city or municipal corporation, or other agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate infrastructure projects, including specifically but not by way of limitation, incorporated cities, counties, including any counties containing a metropolitan sewer district, sanitation districts, water districts, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any other agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of the Commonwealth having and possessing such described powers; and for the purposes of this Assistance Agreement shall mean the Governmental Agency identified in the Project Specifics.

"*Indenture*" shall mean the General Trust Indenture dated as of February 1, 2000 between the Authority and the Trustee.

"*Interagency Agreement*" means the Memorandum of Understanding dated as of July 1, 1999 between the Authority and the Cabinet, as the same may be amended or supplemented from time to time.

"*Loan*" shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Project Specifics, for the purpose of defraying the costs incidental to the Construction of the Project.

"*Loan Rate*" means the rate of interest identified in the Schedule of Payments.

"*Person*" shall mean any individual, firm, partnership, association, corporation or Governmental Agency.

"*Program*" shall mean the program authorized by KRS 224A.1115 and the Indenture as the "federally assisted drinking water revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"*Project*" shall mean, when used generally, a Drinking Water Supply Project, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

"*Project Commencement Date*" means the date construction of the Project commences, or the date contracts have been executed for construction of the Project.

"*Project Specifics*" means those specific details of the Project identified in Exhibit A hereto, all of which are incorporated by reference in this Assistance Agreement.

"*Requisition for Funds*" means the form attached hereto as Exhibit B to be utilized by the Governmental Agency in obtaining disbursements of the Loan from the Authority as the Construction of the Project progresses.

"*Resolution*" means the resolution of the Governmental Agency in the form attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

"*Schedule of Payments*" means the principal and interest requirements of the Loan as set forth in Exhibit F hereto, to be established and agreed to upon or prior to the completion of the Project.

"*Schedule of Service Charges*" shall mean those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, and such other revenues identified in Exhibit C hereto from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority prior to the disbursement of any portion of the Loan hereunder.

"*Service Charges*" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the System, which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charges shall be no less than those set forth in the Schedule of Service Charges.

"*System*" shall mean the water system owned and operated by the Governmental Agency of which the Project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Governmental Agency as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and Authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(D) The authorization, execution and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act, the Federal Act, ARRA and any regulations issued thereunder.

Section 2.2. Representations and Warranties of the Governmental Agency. The Governmental Agency hereby represents and warrants for the benefit of the Authority as follows:

(A) The Governmental Agency is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement and consummate the transactions contemplated hereby.

(B) The negotiation, execution and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Agency.

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to proceed with the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

(F) Attached hereto as Exhibit D is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Governmental Agency approving and authorizing the execution and delivery of this Assistance Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(G) All actions taken by the Governmental Agency in connection with this Assistance Agreement and the Loan described herein and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, KRS 61.805 to 61.850.

(H) The Governmental Agency has all licenses, permits and other governmental approvals (including but not limited to all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate and maintain the Project, to charge and collect the Service Charges and to enter into this Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power and authority to perform the acts and things as provided for in this Assistance Agreement.

(I) Legal counsel to the Governmental Agency has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit E hereto.

(J) The Governmental Agency is in full compliance with all federal and state labor and procurement laws in connection with the planning, design, acquisition and construction of the Project.

(K) Project is consistent with the water supply plan developed pursuant to 401 KAR 4:220 for the county in which the Governmental Agency is located.

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Drinking Water Supply Project or other Infrastructure Project permitted under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics, subject to such adjustments, including principal forgiveness, as may be set forth in the Schedule of Payments. Principal payments shall be made semiannually in the amounts and on the dates to be established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the Repayment Term set forth in the Project Specifics, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable semiannually, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each such Requisition of Funds shall be accompanied by a Buy-American Certification in substantially the same form as Exhibit B-1 attached hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; and shall be subject to the further requirements set forth in Article IV hereof.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Prepay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that, subject to compliance by the Governmental Agency with any covenants and conditions set forth in Exhibit G hereto, the source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics and all such Debt Obligations that may hereafter be issued on a parity with the Debt Obligations identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.6 (D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

- (A) That the Authority and the Cabinet and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority or the Cabinet, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to examine and inspect the Project.
- (B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.
- (C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of the Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.
- (D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.
- (E) Actual construction and installation incident to the Project shall be performed by the lump-sum (fixed price) contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.
- (F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Cabinet.
- (G) Duly authorized representatives of the Cabinet and such other agencies of the Commonwealth and the United States Government as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the construction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers. Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Cabinet and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers for the Governmental Agency and approved by state and federal agencies.

(O) The Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the American Recovery and Reinvestment Act in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority and the Cabinet, acting by and through their duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(S) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(T) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Cabinet, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(U) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority and the Cabinet the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect as of the date of submission of the initial Requisition for Funds.

(V) The Project Commencement Date shall be no later than February 16, 2010.

(W) The Governmental Agency covenants that the Project is comprised of improvements constituting green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement and ARRA. The Governmental Agency, in order to comply with the terms and conditions of the Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with generally accepted governmental accounting standards, as required by the Federal Agreement. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(B) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(C) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(D) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(A).

(E) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

(1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience; and

(2) The training of operating personnel, including preparation of curricula and training material for operating personnel.

(F) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(G) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(H) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(I) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(J) That all measures required to minimize water pollution to affected waters shall be employed in the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

(K) That no portion of the proceeds of the Loan shall be disbursed unless the Project Commencement Date is on or prior to February 16, 2010.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and Exhibit B-1 and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The Contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, and subject to certification by the Cabinet, the Authority may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan.

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment

period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribed, charge and collect the Service Charges set forth in Exhibit C as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity. All recipients and subrecipients expending \$500,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with OMB Circular A-133.

Section 6.9. General Compliance With All Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the Project and the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of this Assistance Agreement and any other Debt Obligations.

Section 6.10. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act, the Federal Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

Section 6.11. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of its under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432

(g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

- (a) KRS 224
- (b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (c) KRS Chapter 337, Labor Laws
- (d) 401 KAR Chapter 5

Section 6.12. Covenants Under ARRA. The Governmental Agency covenants and agrees that it shall comply with all further requirements or conditions which may arise from time to time in order to insure compliance with ARRA, including but not limited to the following:

- (A) The Governmental Agency shall require all laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of title 40, United States Code.
- (B) No portion of the Loan shall be used by the Governmental Agency for the construction, alteration, maintenance or repair of a public building or public work unless all of the iron, steel and manufactured goods used in the Project is produced in the United States unless (i) a waiver is provided to the Governmental Agency by the United States Environmental Protection Agency or (ii) compliance would be inconsistent with the United States' obligations under international agreements.
- (C) Not later than 10 days after the end of each calendar quarter, the Governmental Agency shall submit reports to the Authority complying with the requirements of Section 1512(c) and Title VII of ARRA.
- (D) The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of ARRA.
- (E) If the Project, or any portion thereof, has been qualified as a green infrastructure water or energy efficiency project, the Governmental Agency shall notify the Authority in writing of any changes to the Project resulting in an alteration of the business case requirements set forth in attached Exhibit H. No such changes shall be undertaken unless the Authority shall have provided the Governmental Agency with express written consent to such changes.

Section 6.13. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the

Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.5. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.6. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.7. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.8. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.9. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.10. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.11. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.11, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has

complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments specified herein at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing (other than an event of default arising under Section 6.13 of this Assistance Agreement), the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Schedule of Payments, to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

(D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.10 hereof shall be those remedies specifically set forth in Section 6.10 hereof

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5. Consent to Powers of Authority Under Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

Section 8.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2. Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary or Assistant Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date and Early Termination. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied. Notwithstanding the foregoing, in the event the Project Commencement Date shall not have occurred on or prior to February 16, 2010, this Assistance Agreement shall terminate on February 17, 2010.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, without the written consent of the other party.

Section 9.5. Severability. In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.8. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

Section 9.9. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:

KENTUCKY INFRASTRUCTURE
AUTHORITY

Sandy Williams
SECRETARY
Title: _____

By: [Signature]
Title: EXECUTIVE DIRECTOR

ATTEST:

GOVERNMENTAL AGENCY:
WESTERN MASON WATER DISTRICT

Pam Carpenter
Title: Secretary

By: [Signature]
Title: Chairman

APPROVED:

EXAMINED:

[Signature]
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

Beck Shaffer + Williams LLP
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENERGY AND ENVIRONMENT
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

E. Jeffrey Mosley
APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
WESTERN MASON WATER DISTRICT
PROJECT SPECIFICS
F2 09-14

GOVERNMENTAL AGENCY:

Name: WESTERN MASON WATER DISTRICT
 2573 Mary Ingles Highway, P.O. Box 49
 Dover, KY 41034

Contact

Person: Larry Redden
 (606) 882-3141

SYSTEM: Drinking Water

PROJECT: Western Mason Water District (WMWD) is requesting a Fund F loan in the amount of \$500,000 from the American Reinvestment and Recovery Act of 2009 for the Germantown Water Upgrade. This project will upgrade existing asbestos-cement (AC) water lines to polyvinyl chloride (PVC) from the Germantown Water storage tank to Germantown and the surrounding area. More specifically, the project includes the installation/replacement of 36,000 l.f. of 8", 8,400 l.f. of 6" and 6,200 l.f. of 4" waterline and 2 pumps. WMWD has experienced several leaks in the existing AC lines resulting from an increase of pressure from the new tank. Because of these leaks WMWD is unable to fully use the tank for fear of causing more leaks. The existing 6" AC line is approximately 40 years old and has become very brittle. The district continually has to repair leaks which results in boil water advisories. Replacing the line should eliminate the leaks and the potential for contaminated water.

PROJECT BUDGET:

	Total
Administrative Expenses	\$ 10,000
Legal Expenses	\$ 17,000
Land, Easements	\$ 5,000
Engineering Fees	\$ 180,000
Construction	\$ 1,175,000
Contingency	\$ 103,000
Other	\$ 10,000
Total	\$ 1,500,000

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 500,000	33%
RD Loan	1,000,000	67%
Total	\$ 1,500,000	100%

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED DECEMBER 1, 2009
LOAN NO. F2 09-14

Request No. _____

Dated: _____

Original sent to: Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

Copy sent to: SRP and SPAP Section Manager
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

FROM: Western Mason Water District (the "Governmental Agency")

Gentlemen:

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of drinking water supply facilities, described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling \$ _____.

Documentation supporting the expenses incurred and identified per this request are attached.

ELIGIBLE PROJECT EXPENSES INCURRED

<u>Contractor</u>	<u>Expenses this Request</u>	<u>Expenses to Date</u>
-------------------	----------------------------------	-----------------------------

Total

ALLOCATION OF FUNDING FOR EXPENSES

<u>Funding Source</u>	<u>Portion of Expenses this Request</u>	<u>Portion of Expenses Total to Date</u>
-----------------------	---	--

Totals

The Governmental Agency certifies it has also paid Project expenses for planning and design or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

<u>Funding Source</u>	<u>Amount of Payment or Requisition</u>	<u>Date of Payment or Requisition</u>
-----------------------	---	---

Respectfully submitted,

Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO
PAYMENT REQUEST

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Architect

Firm Name

EXHIBIT B-1

BUY-AMERICAN CERTIFICATION ACCOMPANYING PAY REQUESTS

BUY AMERICAN AFFIRMATION

Section 1605 of the American Recovery and Reinvestment Act (ARRA) states that:

"None of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States."

To meet this requirement, the undersigned hereby certifies that all of the material, equipment and accessories which are to be represented by expenditures of this pay request and any other expenditures of the Project to be partially or fully funded by monies from the American Recovery and Reinvestment Act, has been manufactured from domestic construction material as defined by 40 CFR 35.936-13(D).

If any expenditures reflected in this Pay Request or expenditures made from other funding sources during the period covered by this Pay Request are not in compliance with Section 1605, documentation is attached hereto reflecting the waiver obtained or applicable hereto that allows the incorporation of a non-American component(s).

Name of Governmental Agency

Name of Contractor

Signature of Authorized Official

Signature of Authorized Official

Title

Title

Date

Date

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached

VI. RATE STRUCTURE

CUSTOMER COMPOSITION

	Current	Proposed	TOTAL
Residential	1,007	0	1,007
Commercial	25	0	25
Industrial	0	0	0
	<u>1,032</u>	<u>0</u>	<u>1,032</u>

RATES

Water rates were last increased August 3, 2007. The district is in the process of increasing rates by approximately 10.6% to be placed into effect later in early 2010. The current and proposed monthly charges for water utility service are:

	Current	Proposed ^x
First 2,000 gallons	\$ 25.00	\$ 27.50
Next 8,000 gallons (per 1,000 gal.)	3.55	4.00
All Over 10,000 gallons (per 1,000 gal.)	3.00	3.50
Residential Bill for 4,000 gallons	\$ 32.10	\$ 35.50
Affordability Index (Rate/MHI)	1.3%	1.4%
Bulk User Rate per 1,000 gallons	\$ 3.75	\$ 4.20

The proposed rates are consistent with the required rates in the RD letter of conditions.

** Proposed rates are at PSC. when the approval is complete, the rates will go into effect.*

EXHIBIT D

RESOLUTION

RESOLUTION OF THE WESTERN MASON WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF DECEMBER 1, 2009 BETWEEN THE WESTERN MASON WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Western Mason Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water System (the "Project") and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of December 1, 2009 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Western Mason Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the acquisition and construction of the Project.

SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on _____, 2009.

Chairman

Attest:

Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Mason Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on _____, 2009; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2009.

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Western Mason Water District, dated as of December 1, 2009

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Western Mason Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the drinking water supply project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement.

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
WESTERN MASON WATER DISTRICT ("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority \$ _____

Principal and Interest Payable
on Each June 1 and December 1

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

KENTUCKY INFRASTRUCTURE AUTHORITY

By: _____

Title: _____

Governmental Agency

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

1. Any required approvals by the Kentucky Public Service Commission shall be obtained.
2. The Authority to Award (bid) package must be submitted to the Division of Water ("DOW") for approval within 14 days of bid opening for each contract. DOW must perform the DBE reviews and approve contract documents.
3. No construction funds for the Project will be reimbursed to the Governmental Agency until the Authority receives from DOW a certification letter that states that all contracts have been bid and meet all State Revolving Fund (SRF) requirements.
4. Project construction costs will be reimbursed monthly to the Governmental Agency upon presentation to Authority and DOW of invoices and supporting documentation showing costs incurred.

EXHIBIT H
BUSINESS CASE REQUIREMENTS FOR GREEN PROJECT RESERVE

Not Applicable

46216.1