



# NEBO WATER DISTRICT

45 NORTH BERNARD  
NEBO, KENTUCKY 42441  
PHONE: (270) 249-3709  
FAX: (270) 249-3714

RECEIVED

DEC 15 2016

PUBLIC SERVICE  
COMMISSION

December 15, 2016

Talina R. Mathews  
Executive Director  
Public Service Commission  
211 Sower Blvd  
Frankfort, KY 40601

RE: Alternative Rate Filing

Dear Ms. Mathews:

Please find the forms and supporting documentation of the Nebo Water District's ARF Application for an adjustment to its water rates. The ARF Application is being filed pursuant to 807 KAR 5:076.

The ARF Application uses calendar year 2015 as the Test Year, with appropriate adjustments to normalize revenues and expenses.

A copy of the ARF Application has been hand delivered to Office of Rate Intervention in the Attorney General's Office.

Thank you for your consideration in this matter. Please contact me if any further information is needed.

Sincerely,

Lonnie Neal  
Office Manager  
Nebo Water District

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

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

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

NEBO WATER DISTRICT  
(Name of Utility)

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

NEBO KY 42441  
(Business Mailing Address - City, State, and Zip)

270-249-3709  
(Telephone Number)

BASIC INFORMATION

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

LONNIE NEAL  
(Name)

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

NEBO KY 42441  
(Address - City, State, Zip)

270-249-3709  
(Telephone Number)

nwdoffice@yahoo.com  
(Email Address)

(For each statement below, the Applicant should check either "YES", "NO", or "NOT APPLICABLE" (N/A))

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

YES NO N/A

4. a. Applicant is a corporation that is organized under the laws of the state of KENTUCKY, is authorized to operate in, and is in good standing in the state of Kentucky.
- b. Applicant is a limited liability company that is organized under the laws of the state of \_\_\_\_\_, is authorized to operate in, and is in good standing in the state of Kentucky.
- c. Applicant is a limited partnership that is organized under the laws of the state of \_\_\_\_\_, is authorized to operate in, and is in good standing in the state of Kentucky.
- d. Applicant is a sole proprietorship or partnership.
- e. Applicant is a water district organized pursuant to KRS Chapter 74.
- f. Applicant is a water association organized pursuant to KRS Chapter 273.
5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.
- b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.
6. a. Applicant has 20 or fewer customers and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- b. Applicant has more than 20 customers and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- c. Applicant has more than 20 customers and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." **(Attach completed "Reasons for Application" Attachment.)**



YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2015.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 153,495 and total revenues from service rates of \$ 957,999. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the date of the filing of this application, Applicant had 1,557 customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.



- |   | YES                                 | NO                                  | N/A                                 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| 16. a. Applicant is not required to file state and federal tax returns.   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |                                     |
| b. Applicant is required to file state and federal tax returns.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |                                     |
| c. Applicant's most recent state and federal tax returns are attached to this Application.<br>(Attach a copy of returns.)   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| 17. Approximately _____ (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |                                     |
| 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form.                             | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |                                     |

By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

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

Signed J. E. Ellis  
 Officer of the Company/Authorized Representative  
 Title CHAIRMAN  
 Date 11-15-2016

COMMONWEALTH OF KENTUCKY

COUNTY OF Hopkins

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

Lonnie Neal ID# 486100

Notary Public

My commission expires: MARCH 25, 2017

**Nebo Water District**  
**LIST OF ATTACHMENTS**

1. Customer Notice
2. Reasons for Rate Increase
3. Current and Proposed Rates
4. Statement of Adjusted Operations and Revenue Requirements Calculation with Attachments:
  - References
  - Table A Depreciation Expense Adjustments
  - Table B Debt Service Schedule
5. Current and Proposed Rates Billing Analysis
6. Depreciation Schedule
7. Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
8. Statement of Disclosure of Related Party Transactions
9. Board Resolution

## **CUSTOMER NOTICE**

Notice is hereby given that the Nebo Water District expects to file an application on or about December 15, 2016 with the Kentucky Public Service Commission seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

### **MONTHLY WATER RATES**

#### Minimum Bills Based on Meter Size

<u>Meter Size</u>	<u>Gals. Incl'd. in Minimum</u>	<u>Minimum Bills</u>		<u>Dollar Increase</u>	<u>Percent Increase</u>
		<u>Current</u>	<u>Proposed</u>		
5/8 x 3/4 inch	2,000	\$ 19.79	\$ 23.59	\$3.80	19.20%
1 inch	4,000	35.99	42.91	6.92	19.23%
1-1/2 inch	10,000	81.89	97.63	15.74	19.22%
2 inch	20,000	154.09	183.73	29.64	19.24%
3 inch	30,000	221.49	264.43	42.94	19.39%
4 inch	50,000	356.69	425.83	69.14	19.38%

#### Rates for Water Usage in Addition to Minimum

<u>No. of Gallons per Month:</u>	<u>Charge per 1,000 Gals.</u>		<u>Dollar Increase</u>	<u>Percent Increase</u>
	<u>Current</u>	<u>Proposed</u>		
First 2,000 Gallons	\$ 19.79	\$ 23.59	\$3.80	19.20%
Next 2,000 Gallons	8.10	9.66	1.56	19.26%
Next 6,000 Gallons	7.65	9.12	1.47	19.22%
Next 10,000 Gallons	7.22	8.61	1.39	19.25%
Over 20,000 Gallons	6.77	8.07	1.30	19.20%

If the Public Service Commission approves the proposed rates, then the monthly bill for a residential customer using an average of 4,000 gallons per month will increase from \$35.99 to \$42.91. This is an increase of \$6.92 or 19.2%.

The rates contained in this notice are the rates proposed by Nebo Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates shown in this notice.

Nebo Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the Nebo Water District's office located at 45 North Bernard St., Nebo, KY 42441. You may contact the office at 270-249-3709.



A person may also examine the application at the Public Service Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, 40601, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's website at <http://psc.ky.gov>. Comments regarding the application may be submitted to the Public Service Commission through its website or by mail to Public Service Commission, PO Box 615, Frankfort, Kentucky, 40602. You may contact the Public Service Commission at 502-564-3940.

A person may submit a timely written request for intervention to the Public Service Commission, PO Box 615, Frankfort, KY, 40602, establishing the grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication of this notice, the Public Service Commission may take final action on the application.

## **Reasons for Rate Increase**

Nebo Water District (the “District”) is requesting a 19.2% across-the-board rate increase for its retail customers. The District needs the rate increase for the following reasons:

1. To enable the District to pay its annual principal payments on its existing long term debts from water revenues rather than from depreciation reserves;
2. To enable the District to meet the coverage requirements set forth in its existing debt instruments;
3. To restore the District to a sound financial condition; and
4. To enable the District to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.

**CURRENT AND PROPOSED RATES**  
**Nebo Water District**

**Current Rates**

Minimum Bills Based on Meter Size

<u>Meter Size</u>	<u>Gals. incl'd. in Minimum</u>	<u>Minimum Monthly Bill</u>
5/8 x 3/4 inch	2,000	\$ 19.79
1 inch	4,000	35.99
1-1/2 inch	10,000	81.89
2 inch	20,000	154.09
3 inch	30,000	221.49
4 inch	50,000	356.69

Rates for Water Usage in Addition to Minimum

<u>No. of Gallons per Month</u>	<u>Charge per 1,000 gals.</u>
First 2,000 Gallons	\$ 19.79
Next 2,000 Gallons	8.10
Next 6,000 Gallons	7.65
Next 10,000 Gallons	7.22
Over 20,000 Gallons	6.77

**Proposed Rates**

Minimum Bills Based on Meter Size

<u>Meter Size</u>	<u>Gals. incl'd. in Minimum</u>	<u>Minimum Monthly Bill</u>
5/8 x 3/4 inch	2,000	\$ 23.59
1 inch	4,000	42.91
1-1/2 inch	10,000	97.63
2 inch	20,000	183.73
3 inch	30,000	264.43
4 inch	50,000	425.83

Rates for Water Usage in Addition to Minimum

<u>No. of Gallons per Month</u>	<u>Charge per 1,000 gals.</u>
First 2,000 Gallons	\$ 23.59
Next 2,000 Gallons	9.66
Next 6,000 Gallons	9.12
Next 10,000 Gallons	8.61
Over 20,000 Gallons	8.07



**SCHEDULE OF ADJUSTED OPERATIONS**  
**Nebo Water District**

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Proforma</u>
<u>Operating Revenues</u>				
Total Metered Water Sales	\$ 870,912	(72,128)	a.	\$ 798,784
Other Water Revenues:				
Forfeited Discounts	13,541			13,541
Misc. Service Revenues	5,235			5,235
Other Water Revenues	0			0
<b>Total Operating Revenues</b>	<b>\$ 889,688</b>	<b>(72,128)</b>		<b>\$ 817,560</b>
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	181,046			181,046
Salaries and Wages - Officers	13,200			13,200
Employee Pensions and Benefits	49,405			49,405
Purchased Water	470,068	(23,812)	b.	446,256
Purchased Power	14,303			14,303
Materials and Supplies	38,632			38,632
Contractual Services	16,130			16,130
Transportation Expenses	16,007			16,007
Insurance	17,458			17,458
Bad Debt Expense	1,626			1,626
Miscellaneous Expenses	28,035			28,035
Total Operation and Mnt. Expenses	845,910	(23,812)		822,098
Depreciation Expense	126,555	(30,615)	c.	95,940
Amortization Expense	0			0
Taxes Other Than Income	16,750	0		16,750
<b>Total Operating Expenses</b>	<b>\$ 989,215</b>	<b>\$ (54,427)</b>		<b>\$ 934,788</b>
<b>Net Utility Operating Income</b>	<b>\$ (99,527)</b>	<b>\$ (17,701)</b>		<b>\$ (117,228)</b>

**REVENUE REQUIREMENTS**

<b>Pro Forma Operating Expenses</b>	<b>\$ 934,788</b>
Plus: Avg. Annual Principal and Interest Payments	d. 21,101
Additional Working Capital	e. 2,110
<b>Total Revenue Requirement</b>	<b>957,999</b>
Less: Other Operating Revenue	0
Interest & Rental Income	(5,720)
<b>Revenue Required From Retail Rates</b>	<b>952,279</b>
Less: Revenue from Sales at Present Rates	(798,784)
<b>Required Revenue Increase</b>	<b>\$ 153,495</b>
<b>Percent Increase</b>	<b>19.2%</b>

## References

- a. The District has experienced a sharp decrease in metered sales in 2016. This is primarily due to a reduction of operations at local coal mines. In order to recognize the large decrease in revenue, an adjustment is made to result in the total metered sales computed in the Current Billing Analysis. The Billing Analysis also reflects the retail rate increase approved in March 2016 due to a Purchased Water Adjustment.
- b. Due to the decrease in sales described above, the volume of water purchased by the District has decreased significantly. An adjustment is necessary to align the water purchased expense with revenue for the period from 11/15 through 10/16 and to include the latest wholesale rate from Madisonville for a full 12 months.
- c. It is the PSC's practice to require an adjustment to a utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Water Utilities". Therefore, adjustments are included to bring asset lives within NARUC recommended ranges. In a few cases adjustments are also made to recognize the specific work performed instead of a broad category. All adjustments are based on actual experience with the assets. See Table A.
- d. The annual debt service payments for each loan are shown in Table B. The five year average of these payments is included in the required revenue calculation.
- e. Additional working capital is the minimum net revenue above annual debt payments ("Coverage") that is required by the District's lender. In this case the Coverage requirement is 10% of total debt service.

**Table A**  
**DEPRECIATION EXPENSE ADJUSTMENTS**

<u>Asset</u>	<u>Date In Service</u>	<u>Original Cost</u>	<u>Reported Amounts</u>		<u>Proforma Amounts</u>		<u>Depreciation Expense Adjustment</u>
			<u>Life</u>	<u>Depr. Exp.</u>	<u>Life</u>	<u>Depr. Exp.</u>	
<b><u>Structures and Improvements</u></b>							
Office Building & Addition	various	\$ 48,837	30	\$ 1,464	40	\$ 1,221	\$ (243)
Fence	09/01/09	11,740	20	587	30	391	(196)
40 x 60 Building	06/01/10	19,200	30	640	40	480	(160)
<b><u>Distribution Reservoirs</u></b>							
Reservoirs	various	381,946	40	9,567	50	7,639	(1,928)
Tank Rehab (Painting)	2003-2007	264,852	30	8,828	20	13,243	4,414
Tank Rehab (Mixing Equipment)	06/01/12	118,462	30	3,949	25	4,738	790
<b><u>Transmission Mains</u></b>							
Mains and Extensions	various	2,593,496	40	64,837	62.5	41,496	(23,341)
<b><u>Meters and Meter Installations</u></b>							
Meters	07/01/94	6,481	20	162	35	185	23
Meters	07/01/09	14,171	10	1,417	35	405	(1,012)
<b><u>Office Equipment</u></b>							
Computers, Software and Copier	various	24,541	7	3,506	10	2,454	(1,052)
<b><u>Transportation Equipment</u></b>							
2014 Ford Pickup	09/15/14	28,801	5	5,760	7	4,114	(1,648)
2011 Ford F-350	06/30/11	35,277	5	7,055	7	5,040	(2,016)
<b><u>Power Operated Equipment</u></b>							
Trencher and Dump Bed	various	22,594	5	4,519	10	2,259	(2,259)
Boring Mach, Excavator & Generator	various	78,452	7	11,207	10	7,845	(3,362)
<b><u>Communications Equipment</u></b>							
Radio Modem	various	5,944	5	(779)	10	594	1,373
<b>TOTALS</b>				\$ 122,720		\$ 92,105	\$ (30,615)



**Table B**  
**DEBT SERVICE SCHEDULE**  
**Nebo Water District**  
 CY 2016 - 2020

	<u>2007 KRWFC Loan</u>				<u>2013 KIA Loan</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Totals</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Totals</u>
2016	\$ 12,000	\$ 3,476	\$ 250	\$ 15,726	\$ 3,936	\$ 1,668	\$ 167	\$ 5,771
2017	12,000	2,996	250	15,246	4,015	1,588	159	5,763
2018	12,000	2,516	250	14,766	4,096	1,508	151	5,755
2019	13,000	2,016	250	15,266	4,178	1,425	143	5,746
2020	14,000	1,476	250	15,726	4,262	1,341	134	5,738
<b>5 Yr. Averages</b>				<b>\$ 15,346</b>				<b>\$ 5,754</b>
<b>Sum of Averages for Both Loans</b>								<b>\$ 21,101</b>
<b>Coverage</b>								<b>\$ 2,110</b>

**BILLING ANALYSIS WITH CURRENT USAGE & RATES**  
**Nebo Water District (11/15 through 10/16)**

**SUMMARY**

Meter Size	Gallons Sold	Revenue
5/8 inch	67,103,300	\$ 640,876
5/8 Multi Users	506,300	4,531
1 inch	1,731,500	15,474
1-1/2 inch	944,800	7,399
2 inch	9,416,000	68,689
4 inch	8,683,100	61,816
<b>Totals</b>	<b>88,385,000</b>	<b>\$ 798,784</b>

**5/8 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 2,000	NEXT 6,000	NEXT 10,000	ALL OVER 20,000	TOTAL
FIRST	2,000	5,399	5,728,100	5,728,100	-	-	-	-	5,728,100
NEXT	2,000	6,958	20,890,100	13,912,000	6,978,100	-	-	-	20,890,100
NEXT	6,000	5,410	31,105,600	10,820,000	10,820,100	9,465,600	-	-	31,105,700
NEXT	10,000	449	6,025,700	898,000	898,000	2,694,000	1,535,700	-	6,025,700
ALL OVER	20,000	118	3,353,700	232,000	232,000	898,000	1,160,000	1,033,700	3,353,700
		18,330	67,103,200	31,590,100	18,928,200	12,855,800	2,695,700	1,033,700	67,103,300

**REVENUE BY RATE INCREMENT**

	BILLS	GALLONS	RATE	REVENUE
FIRST 2,000	18,330	31,590,100	\$ 19.79	\$ 362,750.70
NEXT 2,000		18,928,200	8.10	153,318.42
NEXT 6,000		12,855,800	7.65	98,345.34
NEXT 10,000		2,695,700	7.22	19,462.95
ALL OVER 20,000		1,033,700	6.77	6,998.15
<b>TOTAL</b>	<b>18,330</b>	<b>67,103,300</b>		<b>\$ 640,875.56</b>

**5/8 INCH MULTIPLE USERS**

	USAGE	BILLS	GALLONS	FIRST 4,000	NEXT 6,000	NEXT 10,000	OVER 20,000	TOTAL
FIRST	4,000	30	91,600	91,600				91,600
NEXT	6,000	48	327,300	192,000	135,300			327,300
NEXT	10,000	5	66,900	20,000	30,000	16,900		66,900
ALL OVER	20,000	1	20,500	4,000	6,000	10,000	500	20,500
		84	506,300	307,600	171,300	26,900	500	506,300

**REVENUE BY RATE INCREMENT**

	BILLS	GALLONS	RATE	REVENUE
FIRST 4,000	84	307,600	\$ 35.99	\$ 3,023.16
NEXT 6,000		171,300	7.65	1,310.45
NEXT 10,000		26,900	7.22	194.22
ALL OVER 20,000		500	6.77	3.39
<b>TOTAL</b>	<b>84</b>	<b>506,300</b>		<b>\$ 4,531.21</b>

**1 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 4,000	NEXT 6,000	NEXT 10,000	OVER 20,000	TOTAL
FIRST	4,000	83	123,100	123,100				123,100
NEXT	6,000	101	617,800	404,000	213,800			617,800
NEXT	10,000	11	149,100	44,000	66,000	39,100		149,100
ALL OVER	20,000	18	841,500	72,000	108,000	180,000	481,500	841,500
		213	1,731,500	643,100	387,800	219,100	481,500	1,731,500

**REVENUE BY RATE INCREMENT**

	BILLS	GALLONS	RATE	REVENUE
FIRST 4,000	213	643,100	\$ 35.99	\$ 7,665.87
NEXT 6,000		387,800	7.65	2,966.67
NEXT 10,000		219,100	7.22	1,581.90
ALL OVER 20,000		481,500	6.77	3,259.76
<b>TOTAL</b>	<b>213</b>	<b>1,731,500</b>		<b>\$ 15,474.20</b>

**1-1/2 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 10,000	NEXT 10,000	OVER 20,000	TOTAL
FIRST	10,000	11	34,200	34,200			34,200
NEXT	10,000	9	130,900	90,000	40,900		130,900
ALL OVER	20,000	10	779,700	100,000	100,000	579,700	779,700
		30	944,800	224,200	140,900	579,700	944,800

**REVENUE BY RATE INCREMENT**

	USAGE	BILLS	GALLONS	RATE	REVENUE
FIRST	10,000	30	224,200	\$ 81.89	\$ 2,456.70
NEXT	10,000		140,900	7.22	1,017.30
ALL OVER	20,000		579,700	6.77	3,924.57
TOTAL		30	944,800		\$ 7,398.57

**2 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 20,000	OVER 20,000	TOTAL
FIRST	20,000	34	215,000	215,000		215,000
ALL OVER	20,000	62	9,201,000	1,240,000	7,961,000	9,201,000
		96	9,416,000	1,455,000	7,961,000	9,416,000

**REVENUE BY RATE INCREMENT**

	USAGE	BILLS	GALLONS	RATE	REVENUE
FIRST	20,000	96	1,455,000	\$ 154.09	\$ 14,792.64
ALL OVER	20,000		7,961,000	6.77	53,895.97
TOTAL		96	9,416,000		\$ 68,688.61

**4 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 50,000	OVER 50,000	TOTAL
FIRST	50,000	12	219,400	219,400		219,400
ALL OVER	50,000	13	8,483,700	650,000	7,813,700	8,463,700
		25	8,683,100	869,400	7,813,700	8,683,100

**REVENUE BY RATE INCREMENT**

	USAGE	BILLS	GALLONS	RATE	REVENUE
FIRST	50,000	25	869,400	\$ 356.69	\$ 8,917.25
ALL OVER	50,000		7,813,700	6.77	52,898.75
TOTAL		25	8,683,100		\$ 61,816.00



**BILLING ANALYSIS WITH CURRENT USAGE & PROPOSED RATES**  
**Nebo Water District (11/15 through 10/16)**

**SUMMARY**

Meter Size	Gallons Sold	Revenue
5/8 inch	67,103,300	764,046
5/8 Multi Users	506,300	5,402
1 inch	1,731,500	18,449
1-1/2 inch	944,800	8,820
2 inch	9,416,000	81,883
4 Inch	8,683,100	73,702
<b>Totals</b>	<b>88,385,000</b>	<b>952,303</b>
Revenue Required from Metered Sales		952,279
Difference	\$	23.93
		0.00% OK

**5/8 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 2,000	NEXT 6,000	NEXT 10,000	ALL OVER 20,000	TOTAL
FIRST	2,000	5,399	5,728,100	5,728,100	-	-	-	-	5,728,100
NEXT	2,000	6,956	20,890,100	13,912,000	6,978,100	-	-	-	20,890,100
NEXT	6,000	5,410	31,105,600	10,820,000	10,820,100	9,465,600	-	-	31,105,700
NEXT	10,000	449	6,025,700	898,000	898,000	2,694,000	1,535,700	-	6,025,700
ALL OVER	20,000	116	3,353,700	232,000	232,000	696,000	1,160,000	1,033,700	3,353,700
		18,330	67,103,200	31,590,100	18,928,200	12,855,600	2,695,700	1,033,700	67,103,300

**REVENUE BY RATE INCREMENT**

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	18,330	31,590,100	\$ 23.59 \$ 432,404.70
NEXT	2,000		18,928,200	9.66 182,846.41
NEXT	6,000		12,855,600	9.12 117,243.07
NEXT	10,000		2,695,700	8.61 23,209.98
ALL OVER	20,000		1,033,700	8.07 8,341.96
TOTAL	18,330	67,103,300		\$ 764,046.12

**5/8 INCH MULTIPLE USERS**

	USAGE	BILLS	GALLONS	FIRST 4,000	NEXT 6,000	NEXT 10,000	OVER 20,000	TOTAL
FIRST	4,000	30	91,600	91,600				91,600
NEXT	6,000	48	327,300	192,000	135,300			327,300
NEXT	10,000	5	66,900	20,000	30,000	16,900		66,900
ALL OVER	20,000	1	20,500	4,000	6,000	10,000	500	20,500
		84	506,300	307,600	171,300	26,900	500	506,300

**REVENUE BY RATE INCREMENT**

	BILLS	GALLONS	RATE	REVENUE
FIRST	4,000	84	307,600	\$ 42.91 \$ 3,604.44
NEXT	6,000		171,300	9.12 1,562.26
NEXT	10,000		26,900	8.61 231.61
ALL OVER	20,000		500	8.07 4.04
TOTAL	84	506,300		\$ 5,402.34

**1 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 4,000	NEXT 6,000	NEXT 10,000	OVER 20,000	TOTAL
FIRST	4,000	83	123,100	123,100				123,100
NEXT	6,000	101	617,800	404,000	213,800			617,800
NEXT	10,000	11	149,100	44,000	66,000	39,100		149,100
ALL OVER	20,000	18	841,500	72,000	108,000	180,000	481,500	841,500
		213	1,731,500	643,100	387,800	219,100	481,500	1,731,500

**REVENUE BY RATE INCREMENT**

		BILLS	GALLONS	RATE	REVENUE
FIRST	4,000	213	643,100	\$ 42.91	\$ 9,139.83
NEXT	6,000		387,800	9.12	3,536.74
NEXT	10,000		219,100	8.61	1,886.45
ALL OVER	20,000		481,500	8.07	3,885.71
TOTAL		213	1,731,500		\$ 18,448.72

**1-1/2 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 10,000	NEXT 10,000	OVER 20,000	TOTAL
FIRST	10,000	11	34,200	34,200			34,200
NEXT	10,000	9	130,900	90,000	40,900		130,900
ALL OVER	20,000	10	779,700	100,000	100,000	579,700	779,700
		30	944,800	224,200	140,900	579,700	944,800

**REVENUE BY RATE INCREMENT**

		BILLS	GALLONS	RATE	REVENUE
FIRST	10,000	30	224,200	\$ 97.63	\$ 2,928.90
NEXT	10,000		140,900	8.61	1,213.15
ALL OVER	20,000		579,700	8.07	4,678.18
TOTAL		30	944,800		\$ 8,820.23

**2 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 20,000	OVER 20,000	TOTAL
FIRST	20,000	34	215,000	215,000		215,000
ALL OVER	20,000	62	9,201,000	1,240,000	7,961,000	9,201,000
		96	9,416,000	1,455,000	7,961,000	9,416,000

**REVENUE BY RATE INCREMENT**

		BILLS	GALLONS	RATE	REVENUE
FIRST	20,000	96	1,455,000	\$ 183.73	\$ 17,638.08
ALL OVER	20,000		7,961,000	8.07	64,245.27
TOTAL		96	9,416,000		\$ 81,883.35

**4 INCH METERS**

	USAGE	BILLS	GALLONS	FIRST 50,000	OVER 50,000	TOTAL
FIRST	50,000	12	219,400	219,400		219,400
ALL OVER	50,000	13	8,463,700	650,000	7,813,700	8,463,700
		25	8,683,100	869,400	7,813,700	8,683,100

**REVENUE BY RATE INCREMENT**

		BILLS	GALLONS	RATE	REVENUE
FIRST	50,000	25	869,400	\$ 425.83	\$ 10,645.75
ALL OVER	50,000		7,813,700	8.07	63,056.56
TOTAL		25	8,683,100		\$ 73,702.31

**NEBO WATER DISTRICT  
DEPRECIATION SCHEDULE  
2015**

DESCRIPTION	DATE ACQUIRED	COST	LIFE	METHOD	ACCUMULATED DEPRECIATION 12/31/114	DEPRECIATION 12/31/2015	ACCUMULATED DEPRECIATION 12/31/2015
<b><u>STRUCTURES &amp; IMPROVEMENTS</u></b>							
FULLY DEPRECIATED		9,112.98			9,112.98	-	9,112.98
OFFICE BUILDING	10/1/1985	19,700.00	30	SL	19,207.56	492.44	19,700.00
OFFICE ADDITION BUILDING	7/1/1996	17,280.00	30	SL	10,672.00	576.00	11,248.00
	7/1/2002	11,856.51	30	SL	4,940.25	395.22	5,335.47
METAL SHELVES	8/1/2003	861.86	20	SL	732.53	43.09	775.62
FENCE	9/1/2009	11,740.00	20	SL	3,228.50	587.00	3,815.50
40 X 60 BUILDING	6/1/2010	19,200.00	30	SL	2,880.00	640.00	3,520.00
		<u>89,751.35</u>			<u>50,773.82</u>	<u>2,733.75</u>	<u>53,507.57</u>
<b><u>DISTRIBUTION RESERVOIRS</u></b>							
FULLY DEPRECIATED		1,622.93			1,622.93	-	1,622.93
RESERVOIRS	7/1/1981	237,651.00	40	SL	202,002.33	5,941.28	207,943.61
ELECTRIC PUMP VALVES RESERVOIRS	7/1/1991	6,900.59	40	SL	4,054.03	172.51	4,226.54
	7/1/1991	1,065.58	40	SL	626.04	26.64	652.68
RESERVOIRS	7/1/1992	138,745.69	40	SL	77,497.42	3,486.64	80,984.06
RESERVOIRS	7/1/1993	4,483.57	40	SL	2,409.93	112.09	2,522.02
BOOSTER PUMP	7/1/1993	9,438.89	20	SL	9,674.92	(236.03)	9,438.89
TANK REPAIR	12/1/2003	42,750.40	30	SL	15,675.11	1,425.01	17,100.12
TANK REHAB	6/1/2004	39,600.00	30	SL	13,860.00	1,320.00	15,180.00
TANK REHAB	9/1/2004	49,964.00	30	SL	17,487.34	1,665.46	19,152.80
TANK REHAB	4/1/2007	175,287.61	30	SL	43,821.90	5,842.92	49,664.82
TANK REHAB	6/1/2012	118,462.40	30	SL	7,897.50	3,948.75	11,846.25
TANK REHAB	6/1/2013	52,365.95	30	SL	2,618.30	1,745.53	4,363.83
		<u>878,338.61</u>			<u>399,247.75</u>	<u>25,450.80</u>	<u>424,698.55</u>

**TRANSMISSION MAINS**

MAINS	7/1/1981	1,310,972.00	40	SL	1,110,261.01	32,774.30	1,143,035.31
MAINS	7/1/1984	5,934.00	40	SL	4,598.50	148.35	4,746.85
MAINS	7/1/1986	15,073.20	40	SL	10,739.66	376.83	11,116.49
MAINS	7/1/1987	9,606.22	40	SL	6,604.34	240.16	6,844.50
MAINS	7/1/1988	15,171.78	40	SL	10,051.24	379.29	10,430.53
MAINS	7/1/1990	16,384.06	40	SL	10,035.22	409.60	10,444.82
MAINS	7/1/1992	227,037.39	40	SL	127,708.46	5,675.93	133,384.39
MAINS	7/1/1993	196,243.98	40	SL	105,481.15	4,906.10	110,387.25
MAINS	7/1/1994	51,736.59	40	SL	26,514.93	1,293.41	27,808.34
MAINS	7/1/1995	12,981.32	40	SL	6,328.35	324.53	6,652.88
MAINS	7/1/1996	11,492.00	40	SL	5,303.08	287.30	5,590.38
MAINS	7/1/1997	6,555.61	40	SL	2,861.26	163.89	3,025.15
MAINS	7/1/1998	404.00	40	SL	166.65	10.10	176.75
MAINS	7/1/1999	4,905.44	40	SL	1,900.92	122.64	2,023.56
MAINS	7/1/1999	300.00	40	SL	116.25	7.50	123.75
MAINS	6/1/2006	10,954.00	40	SL	2,327.73	273.85	2,601.58
MAINS	12/1/2008	6,025.94	40	SL	753.25	150.65	903.90
MAINS	3/1/2009	1,196.85	40	SL	149.60	29.92	179.52
LINE EXTENSION	12/1/2010	493,956.85	40	SL	53,398.68	12,348.92	65,747.60
MOTOR	12/1/2011	28,874.00	40	SL	2,526.48	721.85	3,248.33
LINE EXTENSION	12/1/2011	138,356.46	40	SL	12,106.19	3,458.91	15,565.10
LINE EXTENSION	12/31/2014	29,334.10	40	SL	-	733.36	733.36
		<u>2,593,495.79</u>			<u>1,499,932.95</u>	<u>64,837.39</u>	<u>1,564,770.34</u>

**METERS & METER INSTALLATIONS**

FULLY DEPRECIATED		399,530.22			399,530.22	-	399,530.22
METERS	7/1/1994	6,481.11	20	SL	6,319.02	162.09	6,481.11
METERS	7/1/2009	14,171.13	10	SL	8,006.39	1,417.11	9,423.50
		<u>420,182.46</u>			<u>413,855.63</u>	<u>1,579.20</u>	<u>415,434.83</u>

**HYDRANTS**

HYDRANTS	7/1/1981	20,000.00	40	SL	17,000.00	500.00	17,500.00
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HYDRANTS	7/1/1987	3,087.04	40	SL	2,129.40	77.18	2,206.58
HYDRANTS	7/1/1989	3,600.00	40	SL	2,265.70	90.00	2,355.70
HYDRANTS	10/1/1990	350.00	40	SL	214.38	8.75	223.13
HYDRANTS	7/1/2000	330.00	40	SL	122.50	8.75	131.25
		<u>27,367.04</u>			<u>21,731.98</u>	<u>684.68</u>	<u>22,416.66</u>

OFFICE EQUIPMENT

FULLY DEPRECIATED		34,189.55			34,189.55	-	34,189.55
COMPUTER-MARK	6/30/2010	600.00	7	SL	342.84	85.71	428.55
COMPUTER & BILLING SOFTWARE	6/30/2011	14,319.50	7	SL	7,159.74	2,045.64	9,205.38
COPIER	6/30/2011	1,077.81	7	SL	538.90	153.97	692.87
COMPUTER & SOFTWARE	6/30/2013	8,543.75	7	SL	1,830.81	1,220.54	3,051.35
		<u>58,730.61</u>			<u>44,061.84</u>	<u>3,505.86</u>	<u>47,567.70</u>

TRANSPORTATION EQUIPMENT

2014 FORD PICKUP	9/15/2014	<u>28,800.74</u>	5	SL	<u>2,880.08</u>	<u>5,760.15</u>	<u>8,640.23</u>
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POWER OPERATIONAL EQUIPMENT

FULLY DEPRECIATED		102,049.52			102,049.52	-	102,049.52
BORING MACHINE	11/1/2010	10,281.84	7	SL	6,609.74	1,468.83	8,078.57
2011 FORD F-350	6/30/2011	35,277.00	5	SL	24,693.90	7,055.40	31,749.30
DITCHWITCH TRENCHER	6/30/2011	19,000.00	5	SL	13,300.00	3,800.00	17,100.00
DUMP BED	6/30/2012	3,593.75	5	SL	1,796.87	718.75	2,515.62
EXCAVATOR	6/30/2014	67,320.00	7	SL	6,248.57	9,617.14	15,865.71
HOBART GENERATOR	12/18/2014	850.00	7	SL	-	121.43	121.43
		<u>238,372.11</u>			<u>154,698.60</u>	<u>22,781.55</u>	<u>177,480.15</u>

PUMPING EQUIPMENT

PUMP ( HWY 1069)	7/1/1997	1,784.49	10	SL	1,784.49	-	1,784.49
GENERATOR	7/1/1998	3,000.00	10	SL	3,000.00	-	3,000.00
2 PUMPS	1/1/2003	17,877.00	10	SL	17,877.00	-	17,877.00
BOOSTER PUMP STATION	1/1/2003	23,241.00	10	SL	23,241.00	-	23,241.00



TELEMETRY SYSTEM	1/1/2003	27,235.00	10	SL	27,235.00	-	27,235.00
GENERATOR	12/1/2015	34,127.00	10	SL	-	-	-
		<u>107,264.49</u>			<u>73,137.49</u>	-	<u>73,137.49</u>

**COMMUNICATION EQUIPMENT**

FULLY DEPRECIATED		7,036.70			-	-	-
RADIO MODEM	4/23/2007	3,279.31	5	SL	4,591.03	(1,311.72)	3,279.31
RADIO MODEM	6/1/2011	2,665.00	5	SL	1,865.50	533.00	2,398.50
		<u>12,981.01</u>			<u>6,456.53</u>	<u>(778.72)</u>	<u>5,677.81</u>

GRAND TOTALS		4,455,284.21			2,666,776.67	126,554.66	2,793,331.33
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LAND		<u>38,258.30</u>					
		<u>4,493,542.51</u>					

**\$169,000**

*Nebo Water District  
Proposed Loan through the  
Kentucky Rural Water Finance Corporation*

**Net Debt Service Schedule**

Year End	Principal	Coupon	Interest	Total P+i	Trustee	Net New D/S
12/30/2007	-	-	2,850.65	2,850.65	-	2,850.65
12/30/2008	8,000.00	4.000%	6,636.26	14,636.26	250.00	14,886.26
12/30/2009	9,000.00	4.000%	6,296.26	15,296.26	250.00	15,546.26
12/30/2010	9,000.00	4.000%	5,936.26	14,936.26	250.00	15,186.26
12/30/2011	9,000.00	4.000%	5,576.26	14,576.26	250.00	14,826.26
12/30/2012	10,000.00	4.000%	5,196.26	15,196.26	250.00	15,446.26
12/30/2013	10,000.00	4.000%	4,796.26	14,796.26	250.00	15,046.26
12/30/2014	11,000.00	4.000%	4,376.26	15,376.26	250.00	15,626.26
12/30/2015	11,000.00	4.000%	3,936.26	14,936.26	250.00	15,186.26
12/30/2016	12,000.00	4.000%	3,476.26	15,476.26	250.00	15,726.26
12/30/2017	12,000.00	4.000%	2,996.26	14,996.26	250.00	15,246.26
12/30/2018	12,000.00	4.000%	2,516.26	14,516.26	250.00	14,766.26
12/30/2019	13,000.00	4.000%	2,016.26	15,016.26	250.00	15,266.26
12/30/2020	14,000.00	4.000%	1,476.26	15,476.26	250.00	15,726.26
12/30/2021	14,000.00	4.125%	907.51	14,907.51	250.00	15,157.51
12/30/2022	15,000.00	4.125%	309.38	15,309.38	250.00	15,559.38
<b>Total</b>	<b>\$169,000.00</b>	<b>-</b>	<b>\$59,298.92</b>	<b>\$228,298.92</b>	<b>\$3,750.00</b>	<b>\$232,048.92</b>

2007 Loan

KENTUCKY INFRASTRUCTURE AUTHORITY  
 REPAYMENT SCHEDULE  
 LOAN #B12-03  
 NEBO WATER DISTRICT  
 FINAL

2013 LOAN KIA

2.00% Rate  
 \$2,801.92 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								\$92,000.00		
06/01/14	\$1,881.92	\$925.60	2.00%	\$2,807.52	\$92.00	\$0.00	\$2,899.52	\$90,118.08	\$0.00	\$0.00
12/01/14	\$1,900.74	\$901.18	2.00%	\$2,801.92	\$90.12	\$0.00	\$2,892.04	\$88,217.34	\$230.00	\$230.00
06/01/15	\$1,919.75	\$882.17	2.00%	\$2,801.92	\$88.22	\$0.00	\$2,890.14	\$86,297.59	\$0.00	\$230.00
12/01/15	\$1,938.94	\$862.98	2.00%	\$2,801.92	\$86.30	\$0.00	\$2,888.22	\$84,358.65	\$230.00	\$460.00
06/01/16	\$1,958.33	\$843.59	2.00%	\$2,801.92	\$84.36	\$0.00	\$2,886.28	\$82,400.32	\$0.00	\$460.00
12/01/16	\$1,977.92	\$824.00	2.00%	\$2,801.92	\$82.40	\$0.00	\$2,884.32	\$80,422.40	\$230.00	\$690.00
06/01/17	\$1,997.70	\$804.22	2.00%	\$2,801.92	\$80.42	\$0.00	\$2,882.34	\$78,424.70	\$0.00	\$690.00
12/01/17	\$2,017.67	\$784.25	2.00%	\$2,801.92	\$78.42	\$0.00	\$2,880.34	\$76,407.03	\$230.00	\$920.00
06/01/18	\$2,037.85	\$764.07	2.00%	\$2,801.92	\$76.41	\$0.00	\$2,878.33	\$74,369.18	\$0.00	\$920.00
12/01/18	\$2,058.23	\$743.69	2.00%	\$2,801.92	\$74.37	\$0.00	\$2,876.29	\$72,310.95	\$230.00	\$1,150.00
06/01/19	\$2,078.81	\$723.11	2.00%	\$2,801.92	\$72.31	\$0.00	\$2,874.23	\$70,232.14	\$0.00	\$1,150.00
12/01/19	\$2,099.60	\$702.32	2.00%	\$2,801.92	\$70.23	\$0.00	\$2,872.15	\$68,132.54	\$230.00	\$1,380.00
06/01/20	\$2,120.59	\$681.33	2.00%	\$2,801.92	\$68.13	\$0.00	\$2,870.05	\$66,011.95	\$0.00	\$1,380.00
12/01/20	\$2,141.80	\$660.12	2.00%	\$2,801.92	\$66.01	\$0.00	\$2,867.93	\$63,870.15	\$230.00	\$1,610.00
06/01/21	\$2,163.22	\$638.70	2.00%	\$2,801.92	\$63.87	\$0.00	\$2,865.79	\$61,706.93	\$0.00	\$1,610.00
12/01/21	\$2,184.85	\$617.07	2.00%	\$2,801.92	\$61.71	\$0.00	\$2,863.63	\$59,522.08	\$230.00	\$1,840.00
06/01/22	\$2,206.70	\$595.22	2.00%	\$2,801.92	\$59.52	\$0.00	\$2,861.44	\$57,315.38	\$0.00	\$1,840.00
12/01/22	\$2,228.77	\$573.15	2.00%	\$2,801.92	\$57.32	\$0.00	\$2,859.24	\$55,086.61	\$230.00	\$2,070.00
06/01/23	\$2,251.05	\$550.87	2.00%	\$2,801.92	\$55.09	\$0.00	\$2,857.01	\$52,835.56	\$0.00	\$2,070.00
12/01/23	\$2,273.56	\$528.36	2.00%	\$2,801.92	\$52.84	\$0.00	\$2,854.76	\$50,562.00	\$230.00	\$2,300.00
06/01/24	\$2,296.30	\$505.62	2.00%	\$2,801.92	\$50.56	\$0.00	\$2,852.48	\$48,265.70	\$0.00	\$2,300.00
12/01/24	\$2,319.26	\$482.66	2.00%	\$2,801.92	\$48.27	\$0.00	\$2,850.19	\$45,946.44	\$0.00	\$2,300.00
06/01/25	\$2,342.46	\$459.46	2.00%	\$2,801.92	\$45.95	\$0.00	\$2,847.87	\$43,603.98	\$0.00	\$2,300.00
12/01/25	\$2,365.88	\$436.04	2.00%	\$2,801.92	\$43.60	\$0.00	\$2,845.52	\$41,238.10	\$0.00	\$2,300.00
06/01/26	\$2,389.54	\$412.38	2.00%	\$2,801.92	\$41.24	\$0.00	\$2,843.16	\$38,848.56	\$0.00	\$2,300.00
12/01/26	\$2,413.43	\$388.49	2.00%	\$2,801.92	\$38.85	\$0.00	\$2,840.77	\$36,435.13	\$0.00	\$2,300.00
06/01/27	\$2,437.57	\$364.35	2.00%	\$2,801.92	\$36.44	\$0.00	\$2,838.36	\$33,997.56	\$0.00	\$2,300.00
12/01/27	\$2,461.94	\$339.98	2.00%	\$2,801.92	\$34.00	\$0.00	\$2,835.92	\$31,535.62	\$0.00	\$2,300.00
06/01/28	\$2,486.56	\$315.36	2.00%	\$2,801.92	\$31.54	\$0.00	\$2,833.46	\$29,049.06	\$0.00	\$2,300.00
12/01/28	\$2,511.43	\$290.49	2.00%	\$2,801.92	\$29.05	\$0.00	\$2,830.97	\$26,537.63	\$0.00	\$2,300.00
06/01/29	\$2,536.54	\$265.38	2.00%	\$2,801.92	\$26.54	\$0.00	\$2,828.46	\$24,001.09	\$0.00	\$2,300.00
12/01/29	\$2,561.91	\$240.01	2.00%	\$2,801.92	\$24.00	\$0.00	\$2,825.92	\$21,439.18	\$0.00	\$2,300.00
06/01/30	\$2,587.53	\$214.39	2.00%	\$2,801.92	\$21.44	\$0.00	\$2,823.36	\$18,851.65	\$0.00	\$2,300.00
12/01/30	\$2,613.40	\$188.52	2.00%	\$2,801.92	\$18.85	\$0.00	\$2,820.77	\$16,238.25	\$0.00	\$2,300.00
06/01/31	\$2,639.54	\$162.38	2.00%	\$2,801.92	\$16.24	\$0.00	\$2,818.16	\$13,598.71	\$0.00	\$2,300.00
12/01/31	\$2,665.93	\$135.99	2.00%	\$2,801.92	\$13.60	\$0.00	\$2,815.52	\$10,932.78	\$0.00	\$2,300.00
06/01/32	\$2,692.59	\$109.33	2.00%	\$2,801.92	\$10.93	\$0.00	\$2,812.85	\$8,240.19	\$0.00	\$2,300.00
12/01/32	\$2,719.52	\$82.40	2.00%	\$2,801.92	\$8.24	\$0.00	\$2,810.16	\$5,520.67	\$0.00	\$2,300.00
06/01/33	\$2,746.71	\$55.21	2.00%	\$2,801.92	\$5.52	\$0.00	\$2,807.44	\$2,773.96	\$0.00	\$2,300.00
12/01/33	\$2,773.96	\$27.96	2.00%	\$2,801.92	\$2.77	\$0.00	\$2,804.69	\$0.00	\$0.00	\$2,300.00
<b>Totals</b>	<b>\$92,000.00</b>	<b>\$20,082.40</b>		<b>\$112,082.40</b>	<b>\$2,007.68</b>	<b>\$0.00</b>	<b>\$114,090.08</b>		<b>\$2,300.00</b>	

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**ASSISTANCE AGREEMENT**

**BETWEEN**

**KENTUCKY RURAL WATER FINANCE CORPORATION**

**AND**

**NEBO WATER DISTRICT**

**DATED**

**JANUARY 30, 2007**

**IN THE AMOUNT OF \$168,000**

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This document was prepared by:

RUBIN & HAYS  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7525

By \_\_\_\_\_

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## **ASSISTANCE AGREEMENT**

This Assistance Agreement made and entered into as of January 30, 2007 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a nonprofit corporation and instrumentality of the various entities of the Commonwealth of Kentucky (the "Issuer") and the Nebo Water District, of Hopkins County, Kentucky (the "Governmental Agency"):

### **WITNESSETH**

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the "Program") designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer issued its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001, dated April 4, 2001, in the aggregate principal amount of \$46,000,000 (the "Series 2001 Bonds") pursuant to a Trust Indenture dated as of April 4, 2001 (the "Indenture") between the Issuer and The Bank of New York Trust Company, N.A. (as successor in interest to Fifth Third Bank), as trustee, the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to Assistance Agreements; and

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2007A (the "Series 2007A Bonds") in the aggregate principal amount of \$\_\_\_\_\_, pursuant to a Supplemental Trust Indenture No. 25, dated as of January 30, 2007 by and between the Issuer and Regions Bank, Nashville, Tennessee (the "Trustee"), which Series 2007A Bonds will rank on a parity with the Series 2001 Bonds and the proceeds of which will be used by certain Governmental Agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the Governmental Agencies and the Issuer; and

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

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to finance improvements to the System (hereinafter more specifically defined as the "Project"), and the Issuer has determined that the Project is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

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



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

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

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

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$168,000 [the "Obligations"], for the purpose of providing funds for the Project, and to reaffirm the conditions and restrictions under which similar bonds or obligations may be subsequently issued ranking on a parity therewith; and

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

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

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

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



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

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

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

"*Bond Counsel*" refers to Rubin & Hays, Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202, or any other nationally recognized individual or firm in the field of municipal bond law.

"*Bond Legislation of 1979*" or "*1979 Bond Legislation*" refers to the resolution authorizing the Series 1979 Bonds, which was adopted by the Governing Body on August 14, 1979.

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

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

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

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

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

"*Depreciation Fund*" refers to the Nebo Water District Depreciation Reserve Fund created in Section 401 of the 1979 Bond Legislation and which Depreciation Fund will continue to be maintained for the benefit of all of the Bonds.

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

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

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

"*Governmental Agency*" refers to the Nebo Water District.

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

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

"*Indenture*" means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 25, dated January 30, 2007, by and between the Issuer and the Trustee.

"*Interest Payment Date*" shall mean the 1<sup>st</sup> day of each month, commencing \_\_\_\_\_ 1, 2007 and continuing through and including January 1, \_\_\_\_ or until the Loan has been paid in full.

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

"*Obligations*" refers to the Loan authorized by this Assistance Agreement in the principal amount of \$168,000.

"*Operation and Maintenance Fund*" refers to the "Nebo Water District Operation and Maintenance Fund" created in Section 401 of the 1979 Bond Legislation and which Operation and Maintenance Fund will continue to be maintained for the benefit of the System.

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

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

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

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

Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Federal Home Loan Mortgage Corporation or Federal Housing Administration;
- (3) repurchase agreements (including those of the Trustee or the Bank) fully secured by collateral security described in clause (1) or (2) of this definition, which collateral (a) is held by the Trustee or a third party agent during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (determined at least once every fourteen days) at least equal to the amount so invested;
- (4) certificates of deposit of, or time deposits in, any bank (including the Trustee or the Bank) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a bank holding company, the debt obligations of the bank holding company of which) have been rated at least equal to the rating assigned to the Bonds by each Rating Agency then rating the Bonds or (b) which are fully insured by the Federal Deposit Insurance Corporation or (c) which are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) or (2) of this definition) of a market value (valued at least quarterly) of no less than the amount of money so invested;
- (5) shares in any investment company registered under the Federal Investment Governmental Agency Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P;
- (6) tax-exempt obligations of any state of the United States, or political subdivision thereof, which are rated AA or better by S&P or mutual funds invested only in such obligations;

- (7) units of a taxable or nontaxable government money-market portfolio composed of U.S. Government obligations and repurchase agreements collateralized by such obligations;
- (8) commercial paper rated A-1 or A-1+ by S&P;
- (9) corporate notes or bonds with one year or less to maturity rated in one of the two highest Rating Categories by S&P; or
- (10) shares of mutual funds, each of which shall have the following characteristics:
  - (i) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment company Act of 1940, as amended;
  - (ii) The management company of the investment company shall have been in operation for at least five (5) years; and
  - (iii) All of the securities in the mutual fund shall be in investments in any one or more of the investments described in (1) and (3) above.

"*Prior Bond Legislation*" refers collectively to the 1979 Bond Legislation and the Series 2001A Assistance Agreement.

"*Prior Bonds*" refers collectively to the Series 1979 Bonds and the Series 2001A Loan.

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

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

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

"*Project*" refers to the financing of the cost of maintenance to the District's water tower, and appurtenances, to be part of the System with the proceeds of the Obligations.

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

"*Revenue Fund*" refers to the Nebo Water District Waterworks Revenue Fund created in Section 401 of the 1979 Bond Legislation and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

"*Series 1979 Bonds*" refers to the outstanding Nebo Water District Waterworks Revenue Bonds of 1979, dated December 20, 1979, in the original principal amount of \$845,000.

"*Series 2001A Assistance Agreement*" refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated June 27, 2001, authorizing the loan in the principal amount of \$343,000 from the Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001, dated April 4, 2001.

"*Series 2001A Loan*" refers to the loan to the Governmental Agency in the principal amount of \$343,000 from the Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001, dated April 4, 2001.

"*Sinking Fund*" refers to the Nebo Water District Waterworks Bond and Interest Sinking Fund created in Section 401 of the 1979 Bond Legislation and which Sinking Fund will continue to be maintained for the benefit of all of the Bonds.

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

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

"*Trustee*" refers to Regions Bank, Nashville, Tennessee.

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

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

**Section 3. Authorization of Obligations; Place of Payment; Manner of Execution.** That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 to 58.140, inclusive of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$490,000 from the Program, for the purpose of providing funds for the Project. The Obligations shall mature on each January 1 beginning January 1, \_\_\_\_ and continuing thereafter through and until January 1, \_\_\_\_, in such principal amounts, and shall bear interest payable on the Interest Payment Dates, commencing \_\_\_\_\_ 1, 2007 in the maturities and at the interest rates set forth in Exhibit A attached hereto.

The principal of, redemption price, if any, and interest on the Obligations shall be payable in lawful money of the United States of America on the Interest Payment Dates, beginning \_\_\_\_\_ 1, \_\_\_\_ to the Trustee for the Program. Such payment shall be made by the Governmental Agency from funds on deposit in the Sinking Fund pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") in a form as provided by the Trustee to the Governmental Agency. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

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

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

Notwithstanding the provisions of paragraph (1) above, because the Issuer must make payments on the Series 2007A Bonds every February 1 and August 1, and the Governmental Agency must make monthly principal and interest payments on the Interest Payment Date totaling the Governmental Agency's pro rata share of the principal and interest payments on the Series 2007A Bonds by each January 1 and July 1, the Governmental Agency's initial \_\_\_\_\_ (\_\_\_\_) payments on the Obligations will include interest amortized from January 30, 2007 to August 1, 2007.

In addition, in the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Obligations and any other payments due under this Assistance Agreement on behalf of the

Governmental Agency (the "Reserve Withdrawal"), the Governmental Agency shall pay to the Trustee, in each month, pursuant to the ACH Debit Direct Payment Method an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

#### **Section 4. Redemption.**

(a) *Optional Redemption.* Obligations maturing on and prior to January 1, 2017 shall not be subject to redemption prior to maturity. Subject to the prior written approval of the Compliance Group, Obligations maturing on or after July 1, 2018, are subject to redemption, in whole or in part, by the Governmental Agency prior to their stated maturities, at any time falling on or after January 1, 2017, at a redemption price equal to 100% of the principal amount of the Obligations called for redemption, plus unpaid interest accrued to the date of redemption.

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

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

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

#### **Section 5. Obligations Payable Out of Revenues on a Parity with Prior Bonds.**

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

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



Bonds and the Obligations hereby authorized payable on a parity from the income and revenues of said System with said outstanding Prior Bonds.

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

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

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

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

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

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in

excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

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

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

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

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

Provided, however, notwithstanding anything to the contrary in any Prior Bond Legislation, the Governmental Agency shall be allowed a credit to the extent of moneys on deposit in the Program Reserve Fund for the purpose of meeting any parity requirements in any Prior Bond Legislation; subject however, to the limitation that moneys in the Program Reserve Fund may only be used to make payments of the Government Agency due under this Assistance

Agreement, if necessary, and; provided further, that the Trustee may not seek payment for any reserve funds held by the Governmental Agency under any Prior Bond Legislation for payment of any amounts due from the Governmental Agency under this Assistance Agreement.

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

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

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

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

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

The Trustee shall be obligated to send written notice to the Governmental Agency of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days. In the absence of written direction from the Governmental Agency with respect to investment of moneys held in the Governmental Agency Account, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Permitted Investments under this Assistance Agreement.

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

connection with the Project, or represents a sum necessary to be expended for land and/or rights of way necessary to be acquired by the Governmental Agency in connection with said Project.

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

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

### **Section 9. Arbitrage Limitations.**

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

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

(1) amounts deposited in the Sinking Fund for the purpose of paying debt service on any Obligations against the System within thirteen (13) months from the date of deposit; and

(2) amounts deposited in the Depreciation Fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose).

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

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

(1) That it is not expected or contemplated that the proceeds of the Obligations will be used or invested in any manner which will cause any of the Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder.

(2) That it is not expected or contemplated that the Governmental Agency will make any use of the proceeds of the Obligations, which, if such use had been reasonably anticipated on the date of issuance of the Obligations, would have caused the Obligations to be arbitrage bonds.

(3) That it is expected and contemplated that the Governmental Agency will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Obligations will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts on deposit in the Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the outstanding Obligations and all Prior Bonds payable from said Sinking Fund.

(5) That amounts accumulated in the Sinking Fund shall not exceed the limitations set forth in this Assistance Agreement.

(6) That it is not reasonably anticipated that amounts accumulated in the Depreciation Fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such Depreciation Fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Obligations, the Governmental Agency Chief Executive and/or the Governmental Agency Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Obligations, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Obligations will be exempt from all federal income taxes and that the Obligations will not constitute or be treated as arbitrage bonds.

**Section 10. Parity Bonds.** The Obligations shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the

Obligations, regardless of the fact they may be actually issued and delivered at different times, and provided further that the lien and security of and for any bonds or obligations hereafter issued that are payable from the income and revenues of the System, shall, except as set out herein, be subject to the priority of the Prior Bonds and the Obligations as may from time to time be outstanding; provided the Governmental Agency has in said Prior Bond Legislation reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the Prior Bonds and with the Obligations, but only under the conditions specified in the Prior Bond Legislation, which conditions are hereinafter repeated, taking into account the issuance of the Obligations.

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

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

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

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

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

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

(ii) any increase in the "annual net revenues" to be realized from the proposed extensions, additions, and/or improvements being financed (in whole or in part) by such additional Parity Bonds; provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

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

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

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

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

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

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

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



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

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

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

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

**Section 12. All Obligations of this Issue Are Equal.** The Obligations authorized and permitted to be issued hereunder, and from time to time outstanding, shall not be entitled to priority one over the other in the application of the income and revenues of the System regardless of the time or times of their issuance, it being the intention that there shall be no priority among

the Obligations, the Prior Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

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

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

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

Its duties as Trustee shall be as follows:

- (a) To register all of the Obligations in the names of the Issuer;

(b) To cancel and destroy (or remit to the Governmental Agency for destruction, if so requested by the Governmental Agency) all exchanged, matured, retired and redeemed Obligations, and to maintain adequate records relevant thereto;

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

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

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

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

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

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

**Section 17. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986.** In order to assure purchasers of the Obligations that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no

actions which will violate any of the provisions of the Code, or would cause the Obligations to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Obligations will be used for any purpose which would cause the interest on the Obligations to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations.

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

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

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

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Obligations are outstanding and shall be in amounts sufficient to provide for not less than full

recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

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

(b) *Liability Insurance on Facilities.* So long as any of the Obligations are outstanding, the Governmental Agency shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death; and not less than \$200,000 from claims for damage to property of others which may arise from the Governmental Agency's operations of the System and any other facilities constituting a portion of the System.

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

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

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

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

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

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

Upon the occurrence of an Event of Default, the Issuer or the Trustee on its behalf, as owner of the Obligations, may enforce and compel the performance of all duties and obligations of the Governmental Agency as set forth herein. Upon the occurrence of an Event of Default,

then, upon the filing of suit by the Trustee or the Issuer, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Governmental Agency, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Obligations, and for the payment of operation and maintenance expenses of the System, and to provide and apply the income and revenues in conformity with this Assistance Agreement and with the laws of the Commonwealth of Kentucky.

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

**Section 20. Annual Reports.** The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 2005) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

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

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

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

(f) to modify the terms and conditions of this Assistance Agreement at the request of the Issuer in order to assist the Issuer in operating the Program or to maintain any rating the Issuer may have on its Program obligations.

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

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

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

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

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

**ISSUER ACKNOWLEDGMENT**

COMMONWEALTH OF KENTUCKY

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this January \_\_\_\_, 2007 by David Peterson who is the President of the Kentucky Rural Water Finance Corporation, on behalf of said Corporation.

WITNESS my hand this January \_\_\_\_, 2007.

My Commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public, State at Large, Kentucky

COMMONWEALTH OF KENTUCKY

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this January \_\_\_\_, 2007 by Gary Larimore who is the Secretary/Treasurer of the Kentucky Rural Water Finance Corporation, on behalf of said Corporation.

WITNESS my hand this January \_\_\_\_, 2007.

My Commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public, State at Large, Kentucky



**EXHIBIT A**

**Debt Service Schedule**

**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 and that all expenses represented in this request were duly incurred for the construction of the "Project," and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Consultant

Firm Name \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

KENTUCKY INFRASTRUCTURE AUTHORITY

**ASSISTANCE AGREEMENT**

FUND B

PROJECT NUMBER	B12-03
BORROWER:	Nebo Water District
BORROWER'S ADDRESS	45 N. Bernard Nebo, Kentucky 42441
DATE OF ASSISTANCE AGREEMENT:	February 1, 2013

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 the 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 Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of September 1, 1989 (the "Indenture") between the Authority and U.S. Bank National Association (successor in interest to F/K/A First Kentucky Trust Company) (the "Trustee") in order to provide funding for its Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to acquire, construct, and finance 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 levy, collect, and enforce and remit adequate Service Charges, as hereinafter defined, for the services provided by the Governmental Agency's System, as hereinafter defined, and to apply the necessary portion of said Service Charges to the repayment of the Loan and the interest thereon, as hereinafter 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 AN 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.

"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.

"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 revenues of the Project.

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

"Governmental Agency" shall mean any agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate a Project, including specifically but not by way of limitation, incorporated cities, counties, sanitation districts, water districts, public authorities, 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 September 1, 1989 between the Authority and the Trustee.

"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.112 and the Indenture as the "infrastructure 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, an infrastructure project as defined in the Act, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

"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 construction of the Project progresses.

"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 revenues identified in Exhibit C 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 Project 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 Charge shall be no less than those set forth in the Schedule of Service Charges.

"System" shall mean the utility system of which the Project shall become a part.

[End of Article I]

## 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 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) 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 construct 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.

[End of Article II]

## 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 Project 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 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 on the Interest Payment Dates set forth in the Project Specifics, 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 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; subject to the 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 Repay 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 the security interest and 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 Project outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

[End of Article III]

## 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, if requested, appropriate documentation, satisfactory to the Authority, in its sole discretion, indicating the following:

(A) That the Authority and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to enter upon the Project and to examine and inspect same.

(B) All real estate and interest in real estate and all personal property constituting the Project and the Project sites 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 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 either the lump-sum (fixed price) or unit 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 Authority.

(G) Duly authorized representatives of the Authority and such other agencies of the Commonwealth 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, and any other participating federal or state agency, the Engineers, and all construction contractors. 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 Authority 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 to the Governmental Agency and approved by state and federal agencies, but only to the extent such approvals may be required.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority noting the participation of the Authority 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, acting by and through its 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 such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state grants.

(R) The Governmental Agency shall require that any bid for any portion of the Construction of the Project be accompanied by a bid bond, certified check or other negotiable instrument payable to the Governmental Agency, as assurance that the bidder will, upon acceptance of such bid, execute the necessary contractual documents within the required time.

(S) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and 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.

(T) 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.

(U) 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 Authority, 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.

(V) 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 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 submission of the initial Requisition for Funds.

Section 4.2. Disbursements of Loan; Requisition for Funds. The Governmental Agency may submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) a Requisition for Funds during the first ten days 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 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 payment by the Authority directly to the contractor.

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

[End of Article IV]

## 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 the Service Charges 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, 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, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments.

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, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid 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. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

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". On or before each payment date identified in the Schedule of Payments,

the Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to ten percent (10%) of the amount of such Loan payment until the amount on deposit in such fund is equal to five percent (5%) of the original principal amount of the Loan (the "Required Balance"). Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the costs of replacing worn or obsolete portions of the Project. If amounts are withdrawn from such fund, the Governmental Agency shall again make the periodic deposits hereinabove required until the Required Balance is reinstated.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspection. 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 hereto 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.

(B) That it will furnish to the Authority not less than annually reports of the operations and income and revenues of the Project, and will permit authorized agents of the Authority to inspect all records, accounts and data of the Project 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 Project not less than thirty (30) days prior to the sale of said 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.

Section 5.8. Mandatory Sewer Connection. In the event that the Project consists of sanitary sewer facilities, the Governmental Agency hereby irrevocably covenants and agrees with the Authority that it will, to the maximum extent permitted by Kentucky law, and by means of ordinance, or other appropriate legislative order or action, mandatorily require the connection to and use of, the sanitary sewers constituting the Project by all persons owning, renting or occupying premises generating pollutants where such sanitary sewers are reasonably available to such premises, and to exhaust, at the expense of the Governmental Agency, all remedies for the collection of Service Charges, including, either directly or indirectly, pursuant to authority granted by Sections 96.930 to 96.943, inclusive, of the Kentucky Revised Statutes, and the Act, causing termination of water services to any premises where the bill for sewer services is delinquent and foreclosure and decretal sale in respect of improvement benefit assessments which are delinquent.

Section 5.9. Termination of Water Services to Delinquent Users. In the event the Project consists of water facilities the Governmental Agency covenants and agrees that it shall, pursuant to applicable provisions of law, to the maximum extent authorized by law, enforce and collect

the Service Charges imposed, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

[End of Article V]

## 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 which complete and accurate entries

shall be made of all its transactions relating to the System, which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) 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 principals 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.

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

Section 6.10. Project Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities constituting the Project or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 6.11. 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 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.

[End of Article VI]



## ARTICLE VII

### MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain Project. 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 it 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. 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 7.4. 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 7.5. 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 7.6. 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 7.7. 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 7.8. 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 7.9. 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 7.10. 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 7.10, 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.

[End of Article VII]

## 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 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, 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.

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 nondefaulting 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 nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

[End of Article VIII]

## 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 of the Finance and Administration Cabinet.

Section 9.3. Effective Date. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue to 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.

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, nor assignable by either 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. 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 9.7. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

Section 9.8. Venue. The parties hereto agree that in the event of a default by the Governmental Agency pursuant to the provisions of Article 8 of this Agreement, the Authority shall, to the extent permitted under the laws of the Commonwealth, have the right to file any necessary actions with respect thereto in Franklin Circuit Court.

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.

[End of Article IX]

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  
Title: SECRETARY

By: [Signature]  
Title: EXECUTIVE DIRECTOR

**ATTEST:**

**GOVERNMENTAL AGENCY:  
NEBO WATER DISTRICT**

By: [Signature]  
Title: Secretary

By: [Signature]  
Title: Chairman

**APPROVED:**

**EXAMINED:**

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

[Signature]  
LEGAL COUNSEL TO THE  
KENTUCKY INFRASTRUCTURE  
AUTHORITY

APPROVED AS TO FORM AND LEGALITY

[Signature]  
APPROVED  
FINANCE AND ADMINISTRATION CABINET

**EXHIBIT A**  
**NEBO WATER DISTRICT**  
**PROJECT SPECIFICS**  
**B12-03**

**GOVERNMENTAL AGENCY:**

Name: Nebo Water District  
 45 N. Bernard  
 Nebo, KY 42441

Contact  
 Person: J. E. Ellis, Chairman  
 (270) 886-9484

**SYSTEM:** Infrastructure

**PROJECT:**

This project will add mixing systems to the older rainwater stand pipe and elevated tank in the District's system. The addition will enable the system to meet residual and turnover requirements in 2014.

**PROJECT BUDGET:**

	<u>Total</u>
Administrative Expenses	\$ 2,500
Engineering Fees	4,500
Construction	85,000
<b>Total</b>	<b>\$ 92,000</b>

**FUNDING SOURCES:**

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 92,000	100%
<b>Total</b>	<b>\$ 92,000</b>	<b>100%</b>

**KIA DEBT SERVICE:**

Construction Loan	\$ 92,000
Interest Rate	2.0%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 5,604
Administrative Fee (0.20%)	\$ 184
<b>Total Estimated Annual Debt Service</b>	<b>\$ 5,788</b>

**MORTIZATION COMMENCEMENT DATE:** June 1 and December 1





EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO  
ASSISTANCE AGREEMENT DATED FEBRUARY 1, 2013

Request No. \_\_\_\_\_

Dated \_\_\_\_\_

ORIGINAL SENT TO:        Kentucky Infrastructure Authority  
                                 1024 Capital Center Drive  
                                 Suite 340  
                                 Frankfort, Kentucky 40601

COPY SENT TO:            Ms. Nancy Sanders  
                                 Director, Community Programs  
                                 Governor's Office for Local Development  
                                 1024 Capitol Center Drive  
                                 Frankfort, Kentucky 40601

FROM:                        Nebo Water District ("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 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>	Expenses this <u>Request</u>	Expenses to <u>Date</u>
-------------------	---------------------------------	----------------------------

Total

ALLOCATION OF FUNDING FOR EXPENSES

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

The Governmental Agency certifies it has also paid Project expenses 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/Consultant

\_\_\_\_\_  
Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached Rate Schedule

NOTICE TO ALL CUSTOMERS OF  
NEBO WATER DISTRICT

Nebo Water District has received notice of the new rate to be charged for wholesale water purchases from the City of Madisonville effective March 15, 2012. The new rate to be charged is \$3.63 per thousand gallons. Prior to this decrease the rate charged was \$3.95 per thousand gallons. Pursuant to the provisions of 807 KAR 5:068, Nebo Water District has applied and received approval from the Public Service Commission of Kentucky under Case No. 2012-00081 for a Purchased Water Adjustment. New rates charged to customers of Nebo Water District effective March 15, 2012 shall incorporate the above increase and will be reflected in all future billings. The new rates set forth are as follows:

Minimum Water Rates Based on Size Connections

<u>Size of Water Meter Connection</u>	<u>Number of Gallons or Less of Water Per Month to be Provided for the Minimum Rate</u>	<u>Minimum Monthly Water Rate Per Connection</u>
5/8 inch x 3/4 inch	2,000 gallons	\$18.61
1 inch	4,000 gallons	33.63
1-1/2 inch	10,000 gallons	75.99
2 inch	20,000 gallons	142.29
3 inch	30,000 gallons	204.09
4 inch	50,000 gallons	327.69

Meter Rates for Water Usage in Addition to Minimum Charge

Subject to the minimum monthly water rate specified above, the following metered charges shall be made for water consumption per month to customers of all size connections:

<u>Number of Gallons of Water Per Month</u>	<u>Monthly Charge Per 1,000 Gallons</u>
First 2,000 gallons	\$ 18.61 (Minimum Charge)
Next 2,000 gallons	7.51
Next 6,000 gallons	7.06
Next 10,000 gallons	6.63
Over 20,000 gallons	6.18

EXHIBIT D

RESOLUTION

RESOLUTION OF THE NEBO WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE NEBO WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Directors ("governing authority") of the Nebo Water District, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water 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 construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an Assistance Agreement with the Authority;

NOW, THEREFORE, BE IT RESOLVED by the Nebo Water District, as follows:

SECTION 1. That the governing authority hereby approves and authorizes of 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 Project.

SECTION 2. That any officer of the Governmental Agency be and hereby is 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 \_\_\_\_\_, 2013.

\_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Nebo Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on \_\_\_\_\_, 2013; 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 \_\_\_\_\_, 2013.

\_\_\_\_\_  
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 the  
Nebo Water District, dated as of February 1, 2013

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 Nebo 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 infrastructure 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 and the plans, designs and specifications prepared by the Engineers for the Governmental Agency with respect to the Project.

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) 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  
THE NEBO 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 \_\_\_\_\_ and

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: \_\_\_\_\_

NEBO WATER DISTRICT, 1 GOVERNMENTAL AGENCY

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

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

73971v1

**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 Nebo 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
LINDA NEAL	CLERK - PART TIME	

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

LONNIE NEAL  
(Print Name)

Lonnie Neal  
(Signed)

OFFICE MANAGER  
(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 Hopkins

Subscribed and sworn to before me by LONNIE NEAL  
(Name)

this 12<sup>th</sup> day of December, 2016.

Mark Matheny  
NOTARY PUBLIC  
State-at-Large Kentucky  
523731  
December 17, 2018



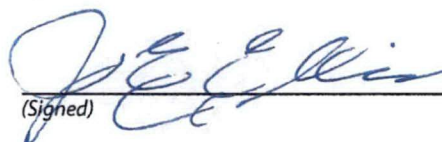
**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

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

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J. E. ELLIS  
(Print Name)

  
(Signed)

CHAIRMAN  
(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 Hopkins

Subscribed and sworn to before me by J. E. ELLIS  
(Name)

this 16 day of AUGUST, 2016.

LONNIE NEAL ID# 486100  
NOTARY PUBLIC  
State-at-Large  
COMMISSION EXPIRES  
MARCH 25, 2017

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

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

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Billy Brown  
(Print Name)

*Billy Brown*  
(Signed)

TREASURER  
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Hopkins

Subscribed and sworn to before me by BILLY BROWN  
(Name)

this 16 day of AUGUST, 2016.

Lonnie Neal ID# 486100  
NOTARY PUBLIC  
State-at-Large      COMMISSION EXPIRES  
MARCH 25, 2017

**STATEMENT OF DISCLOSURE OF  
RELATED PARTY TRANSACTIONS**

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GENE TURNER  
(Print Name)

*Gene Turner*  
(Signed)

SECRETARY  
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Hopkins

Subscribed and sworn to before me by GENE TURNER  
(Name)

this 16 day of AUGUST, 20 16.

Lonnie Neal ID#486100  
NOTARY PUBLIC  
State-at-Large  
COMMISSION EXPIRES  
MARCH 25, 2017

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE NEBO WATER DISTRICT PROPOSING ADJUSTMENTS TO ITS WATER RATES AND CHARGES AND AUTHORIZING ITS OFFICE MANAGER TO FILE AN APPLICATION WITH THE PSC SEEKING APPROVAL OF THE PROPOSED RATE ADJUSTMENT**

**WHEREAS**, the Nebo Water District (“District”) is a water district created and organized under the provisions of KRS Chapter 74. The District is subject to the jurisdiction of the Kentucky Public Service Commission (“PSC”);

**WHEREAS**, prudent financial management dictates that the District take appropriate action to adjust its water rates and charges; and

**WHEREAS**, KRS 278.180 and 807 KAR 5:076 provide the legal mechanism for the District to propose adjustments to its water rates and charges;

**NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF NEBO WATER DISTRICT AS FOLLOWS:**

**Section 1.** The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

**Section 2.** The District proposes to adjust its monthly water rates and charges as set forth in **Appendix A**, which is attached hereto and is incorporated herein by reference as a part of this Resolution. The proposed rates and charges set forth in **Appendix A** are subject to any minor adjustments that may be made by the PSC. The proposed rate adjustment shall not become effective until PSC approval has been obtained.

**Section 3.** The Office Manager is hereby authorized and directed to prepare, execute, and file with the PSC, by utilizing the Alternative Rate Adjustment Procedure for Small Utilities set forth in 807 KAR 5:076, an Alternative Rate Filing (“ARF”) Application, Tariff Sheets, and all other documents that may be required by the PSC.

**Section 4.** The Chairman, Office Manager, and all other appropriate District Staff are hereby further authorized and directed to take any and all other actions and to execute and deliver any and all other documents as may be reasonably necessary to implement this Resolution.

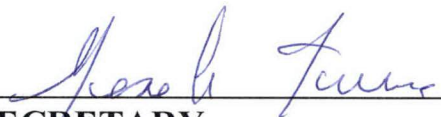
**Section 5.** This Resolution shall take effect upon its adoption.

**ADOPTED BY THE COMMISSION OF NEBO WATER DISTRICT** at

a meeting held on December 6, 2016, signed by the Chairman, and attested by the Secretary.

ATTEST:

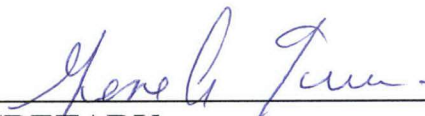
  
\_\_\_\_\_  
**CHAIRMAN**

  
\_\_\_\_\_  
**SECRETARY**

**CERTIFICATION**

I, Secretary of the Nebo Water District (the "District"), do hereby certify that the foregoing is a true copy of a Resolution duly adopted by the Commission of the District at a meeting properly held on December 6, 2016, signed by the Chairman of the Commission, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 6th day of December, 2016.

  
\_\_\_\_\_  
**SECRETARY**