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

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

RECEIVED

SEP 24 2018

PUBLIC SERVICE
COMMISSION

Western Lewis Rectorville Water and Gas District
(Name of Utility)

8044 KY 3160
(Business Mailing Address - Number and Street, or P.O. Box)

Maysville, KY 41056
(Business Mailing Address - City, State, and Zip)

606-742-0014
(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:

Lyn Rhonemus, CPA (Jeffrey D Newman CPA LLC)
(Name)

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

West Union, OH 45693
(Address - City, State, Zip)

937-544-1272
(Telephone Number)

lyn@newmancpa.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 checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 2. | a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| | b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 3. | Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

YES NO 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, 2017.
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 \$433,769 and total revenues from service rates of \$1,246,960. 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 2,257 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.
- b. Applicant is required to file state and federal tax returns.
- c. Applicant's most recent state and federal tax returns are attached to this Application. (Attach a copy of returns.)
- 17. Approximately \$0 (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.
- 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.

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 Chad Clark
 Officer of the Company/Authorized Representative
 Title GENERAL MANAGER
 Date 09/10/2018

COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Before me appeared Chad Clark, 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.

Sharon R. Dennison #520718
 Notary Public
 My commission expires: 10/8/18

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

- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- Attachment Billing Analysis" Attachment
- Depreciation Schedules
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3

NOTICE OF PROPOSED RATE CHANGE FOR
WESTERN LEWIS RECTORVILLE WATER AND GAS DISTRICT

In accordance with the requirements of the Kentucky Public Service Commission (“PSC”) as set out in 807 KAR 5:076, Section 5, notice is hereby given to the customers of Western Lewis Rectorville Water and Gas District (“WLRW&GD”) of a change in water rates for users of WLRW&GD water system. WLRW&GD will file an application on or about September 19, 2018 with the Public Service Commission. The proposed rates shall not be effective until the PSC has issued an order approving these rates.

	Current Monthly Rates (per 1,000 gallons)	Proposed Monthly Rates (per 1,000 gallons)	Dollar Change	Percent Change
First 1,000 gallons	\$16.65 Minimum Bill	\$22.50 Minimum Bill	\$5.85	35.1%
Next 4,000 gallons	\$5.80	\$7.83	\$2.03	35%
Over 5,000 gallons	\$4.36	\$5.89	\$1.53	35%

If the PSC approves the proposed rates, then the monthly bill for a customer using an average of 8,000 gallons per month will increase from \$52.93 to \$71.49. This is an increase of \$18.56 or 35%.

The rates contained in this notice are the rates proposed by WLRW&GD, however, the PSC may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates shown in this notice.

WLRW&GD has available for inspection at its office the application which it submitted to the PSC. A person may examine this application at WLRW&GD’s office located at 8044 KY 3160, Maysville, Kentucky 41056, Monday through Friday 9:00 a.m. to 4:00 p.m. You may contact the office at 606-742-0014.

The application and all documents filed with the Kentucky Public Service Commission may be viewed and downloaded at the Kentucky Public Service Commission’s Web site as noted below or a copy can be obtained from the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602 between the hours of 8:00 a.m. and 4:30 p.m.

Any person may submit a timely written request to intervene to the Kentucky Public Service Commission, P.O. Box 615, Frankfort, KY 40602, establishing the grounds for the request and including the status and interest of the party. If the Kentucky Public Service Commission does not receive a request to intervene within thirty (30) days of the initial publication or mailing of this notice, the Kentucky Public Service Commission may take final action on the application. Any comments regarding this application may be submitted through the Commission’s web site at <http://psc.ky.gov/> or by mail to P.O. Box 615, Frankfort, Kentucky 40602. You may contact PSC at 502-564-3940.

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MASON COUNTY CIRCUIT & DISTRICT COURT

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September 2018

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LEGALS

MASTER COMMISSIONER SALES

In compliance with the order of the Mason Circuit Court, I will, as Master Commissioner, sell the property described in the following actions on **FRIDAY, SEPTEMBER 21, 2018**, at the hour of **1:00 P.M.** inside the front door in the Mason County Justice Building, 100 West Third Street, Maysville, KY. Said property will be sold to raise the amounts hereinafter set forth, together with interest and costs, and upon the following terms and conditions unless otherwise indicated: 1) At the time of sale the successful bidder shall either pay in full or make a deposit of 10% of the purchase price with the balance on credit for thirty (30) days. **If the successful bidder desires or elects to credit the balance, he/she will be required to post bond and furnish an acceptable surety thereon.** Said bond shall be for the unpaid purchase price and bear interest at the rate of the underlying judgment per annum from the date of sale until paid. 2) The purchaser shall be required to assume and pay all taxes or assessments upon the property for the 2018 tax year. All delinquent taxes or assessments upon the property for prior years, if any, shall be paid from the sale proceeds if properly claimed in writing and filed of record. 3) The property shall otherwise be sold free and clear of any right, title and interest of all parties to the action, excepting easements and restrictions of record, and subject to a six (6) month right of redemption if the property does not bring 2/3 of the appraised value. 4) Buyer is advised to have a title search completed and must file any exceptions to the sale within ten (10) days. Also subject to any other terms and conditions as may be announced on the day of sale.

- 16-CI-00217: Wells Fargo Bank N.A., Jacqueline Rae Henderson a/k/a Jacqueline Henderson, et al.: 1024 Williams Street, Maysville, Mason County, Kentucky: Parcel No.: M08-03-012: Judgment - \$53,455.04
- 18-CI-00097: Kentucky Housing Corporation vs. Larry D. Fegan a/k/a Larry Fegan, et al.: 4051 KY Hwy. 10, Maysville, Mason County, Kentucky: Parcel No.: 012-00-00-013.01: Judgment - \$133,964.83 (Count 1) and \$19,407.29 (County 2)

DELORES WOODS BAKER
MASTER COMMISSIONER
MASON CIRCUIT COURT
134 West Third Street
Maysville, KY 41056
606-564-7969

B4 | FRIDAY, SEPTEMBER 14, 2018

Help Wanted General

PRESS OPERATOR WANTED

The Ledger Independent has an opening for a full-time press operator. We are looking for an experienced Community Pressman. We will provide training in the operation of our printing press and other processes. The press department prints The Ledger Independent, The Advertiser, and a variety of special sections and commercial print work. This position also works closely with prepress, packaging, advertising and circulation departments. This position is responsible for the daily maintenance, cleaning and safety inspection of the pressroom and press related equipment.

This position primarily works nights with the flexibility to work weekends and holidays. Flexibility to work other shifts required when necessary.

All applicants considered for employment must pass a post-offer drug screen and background check prior to commencing employment. We are an equal opportunity employer and a drug-free workplace.

As part of Champion Media LLC, The Ledger Independent offers a competitive wage and full benefit package (health, dental, life, vision, 401k). Interested applicants may apply in person at

The Ledger Independent

120 Limestone St. Maysville, KY
between 8AM-5PM M-F
or apply online at indeed.com

LEGALS

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ELECTION DEADLINE

The last day to register to vote for the November 6, 2018 General Election is October 9, 2018.

**Glenda K. Himes, Clerk
Board of Elections**

38-40c

**NOTICE OF PROPOSED RATE CHANGE FOR
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38-40c

THE LEWIS COUNTY HERALD, Tuesday, September 18, 2018



Dreaming Up the Ideal Retirement Is Your Job. Helping You Get There Is Ours.

To learn more about why Edward Jones makes sense for you, call

REASONS FOR APPLICATION

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

This ARF is for the purpose of establishing a rate structure that will allow Western Lewis Rectorville Water & Gas District ("WLRW&GD") to provide reasonable and adequate service to its customers by achieving financial stability on an ongoing basis.

WLRW&GD completed a large water system improvement project, as well as putting in radio read meters during 2017. The project cost just under \$1.8 million, of which \$1,266,500 was financed through Kentucky Infrastructure Authority (KIA) and an Appalachian Regional Commission grant of \$500,000. Of the amount financed through KIA, an amount of \$886,550 is required to be repaid over a 20 year period.

Additionally, WLRW&GD is in need of newer utility vehicles, as theirs all have higher miles and are beginning to cost more to maintain than replace.

We are not asking for the full increase as calculated on the Revenue Requirement Calculation - Debt Coverage Method, as we do not feel the customers of our District have capacity for that large of an increase. Since the Pro forma Operating Expenses include depreciation and amortization expense, we feel that the increase we have requested will cover our necessary expenses.

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

Gallons	Current Rates	Proposed Rates
0 - 1,000	\$16.65 (minimum bill)	\$22.50 (minimum bill)
Next 4,000	\$5.80 per 1,000 gallons	\$7.83 per 1,000 gallons
All over 5,000	\$4.36 per 1,000 gallons	\$5.89 per 1,000 gallons

SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY

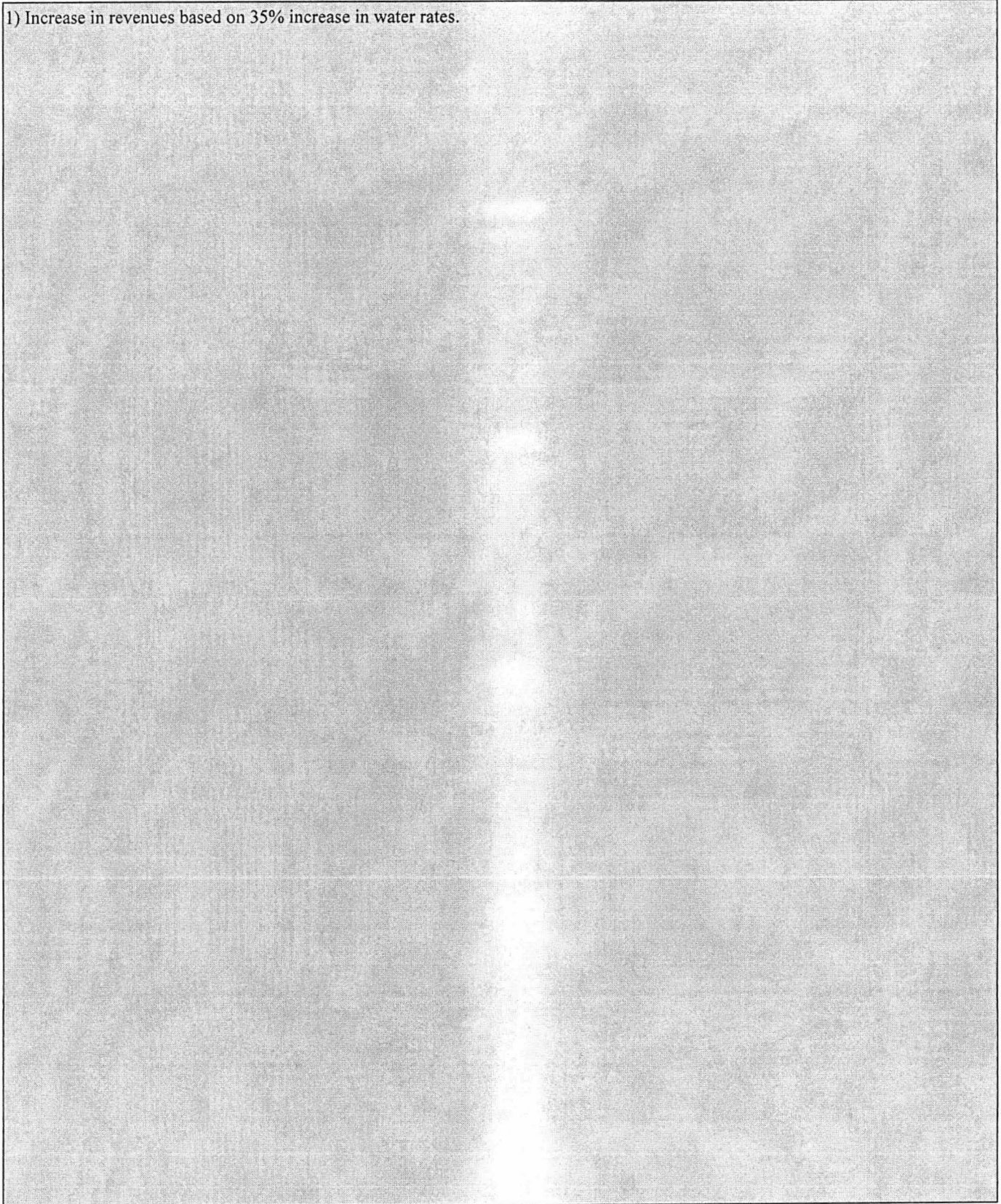
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	Test Year	Adjustment	Ref.	Pro Forma
<u>Operating Revenues</u>				
Sales of Water				
Unmetered Water Sales				0.00
Metered Water Sales	813,191.00	276,202.00	1	1,089,393.00
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
Total Sales of Water	813,191.00	276,202.00		1,089,393.00
Other Water Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues	48,366.00			48,366.00
Rents from Water Property				0.00
Other Water Revenues				0.00
Total Other Water Revenues	48,366.00	0.00		48,366.00
Total Operating Revenues	861,557.00	276,202.00		1,137,759.00
<u>Operating Expenses</u>				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	231,474.00			231,474.00
Salaries and Wages - Officers	23,307.00			23,307.00
Employee Pensions and Benefits	69,696.00			69,696.00
Purchased Water	71,163.00			71,163.00
Purchased Power	42,212.00			42,212.00
Fuel for Power Production				0.00
Chemicals	12,233.00			12,233.00
Materials and Supplies	110,557.00			110,557.00
Contractual Services	17,215.00			17,215.00
Water Testing				0.00
Rents	207.00			207.00
Transportation Expenses				0.00
Insurance	81,832.00			81,832.00
Regulatory Commission Expenses				0.00
Bad Debt Expense				0.00

Miscellaneous Expenses	65,950.00			65,950.00
Total Operation and Maintenance Expenses	725,846.00	0.00		725,846.00
Depreciation Expense	339,305.00			339,305.00
Amortization Expense				0.00
Taxes Other Than Income	20,335.00			20,335.00
Income Tax Expense				0.00
Total Operating Expenses	1,085,486.00	0.00		1,085,486.00
Utility Operating Income	-223,929.00	276,202.00		52,273.00

References

1) Increase in revenues based on 35% increase in water rates.



REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD

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

Pro forma Operating Expenses	\$1,085,486.00
Plus: Average Annual Debt Principal and Interest Payments*	210,326.00
Debt Coverage Requirement**	0.00
Total Revenue Requirement	1,295,812.00
Less: Other Operating Revenue	-48,366.00
Non-operating Revenue	
Interest Income	-486.00
Revenue Required from Rates	1,246,960.00
Less: Revenue from Sales at Present Rates	-813,191.00
Required Revenue Increase	\$433,769.00

Required Revenue Increase stated as a Percentage of Revenue at Present Rates 53.34%

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

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

Revenue from Present/Proposed Rates
Test Period from 01-01-17 to 12-31-17

USAGE TABLE
Usage by Rate Increment

Class: Water - Present

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 1,000	(5) Next 4,000	(6) Over 5,000	(7)	(8)	(9) Total
First 1,000 - Min Bill	8,160	4,388	4,388					4,388
Next 4,000	14,991	47,043	14,991	32,052				47,043
Over 5,000	4,334	50,365	4,334	17,376	28,645			50,365
Totals	27,485	101,796	23,723	49,428	28,645			101,796

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 1,000 - Min Bill	27,495	23,723	\$16.65	\$394,988
Next 4,000		49,428	5.80	286,682
Over 5,000		28,645	4.36	124,892
Totals	27,495	101,796		\$806,562

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present/Proposed Rates
Test Period from 01-01-17 to 12-31-17

USAGE TABLE
Usage by Rate Increment

Class: Water - Proposed

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 1,000	(5) Next 4,000	(6) Over 5,000	(7)	(8)	(9) Total
First 1,000 - Min Bill	8,160	4,388	4,388					4,388
Next 4,000	14,991	47,043	14,991	32,052				47,043
Over 5,000	4,334	50,365	4,334	17,376	28,645			50,365
Totals	27,485	101,796	23,723	49,428	28,645			101,796

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 1,000 - Min Bill	27,495	23,723	\$22.50	\$533,768
Next 4,000		49,428	7.83	387,021
Over 5,000		28,645	5.89	168,719
Totals	27,495	101,796		\$1,089,508

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

**WESTERN LEWIS RECTORVILLE WATER DISTRICT
WATER DIVISION
PLANT AND DEPRECIATION SCHEDULE
DECEMBER 31, 2017**

	DATE ACQ	USE-FUL LIFE	ORIGINAL COST	2014 PROVISIONS	ACCUM 12/31/2014	2015 PROVISIONS	ACCUM 12/31/2015	2016 PROVISIONS	ACCUM 12/31/2016	2017 PROVISIONS	ACCUM 12/31/2017	NET BALANCE 12/31/2017
001/301 ORGANIZATION EXPENSE												
301/301 SUBTOTAL	6/30/89	20	57	-	57	-	57	-	57	-	57	-
003 & 389/310 LAND AND LAND RIGHTS												
1/1/63			1,000									1,000
6/30/87			3,500									3,500
Cost of Standpipe Site	12/31/89		600									600
Land	06/30/04		30,000									30,000
Land	06/14/06		11,000									11,000
Improvements	12/31/89		1,764									1,764
303 & 389/310 SUBTOTAL			47,864									47,864
007/314 WELLS AND SPRINGS												
Well Pump #2	12/31/99	25	33,670	1,347	20,202	1,347	21,549	1,347	22,896	1,347	24,243	9,427
Well Pump #6	4/21/2011	25	13,200	528	2,112	528	2,640	528	3,168	528	3,696	9,504
Well # 1 reactivation	3/12/2012	25	8,750	350	1,050	350	1,400	350	1,750	350	2,100	6,650
Well Pump #6 - repair and reinstall	8/29/2016	25	15,950					638	638	638	1,276	14,674
High Service Pump Valve -repair and reinst:	3/28/2016	25	15,734		0		0	629	629	629	1,259	14,475
307/314 SUBTOTAL	9/25/2017	25	7,000					140	140	140	140	6,860
			94,304	2,225	23,364	2,225	25,589	3,492	29,081	3,632	32,713	61,591
004/311/321 STRUCTURES AND IMPROVEMENTS												
1/1/63		30	3,000		3,000		3,000		3,000		3,000	-
1/1/75		30	1,129		1,129		1,129		1,129		1,129	-
11/1/95		30	2,290	76	1,488	76	1,564	76	1,641	76	1,717	573
New Building	12/1/2005	30	143,362	4,779	45,398	4,779	50,177	4,779	54,956	4,779	59,734	83,628
Waste treatment plant water tower	11/29/2007	7	2,800	0	2,800	0	2,800	0	2,800	0	2,800	-
Building Fixtures	6/20/2006	30	8,341	278	2,224	278	2,502	278	2,780	278	3,058	5,283
Excavating for Driveway	9/21/2011	15	12,286	819	3,276	819	4,095	819	4,914	819	5,733	6,553
Backtopping of Driveway	11/17/2011	15	19,763	1,318	5,270	1,318	6,588	1,318	7,905	1,318	9,223	10,540
Backtop Office Drive	7/31/2015	15	15,877			529	529	1,058	1,588	1,058	2,646	13,231
Original Sitework for office building	8/1/2017	30	67,267						0	1,121	1,121	66,146
Office Building	8/1/2017	30	196,434				0		0	3,274	3,274	193,160
304/311/321 SUBTOTAL			472,548	7,270	64,585	7,799	72,384	8,328	80,712	12,723	93,436	379,113
009/322 & 323 POWER GENERATION EQUIPMENT												
310 SUBTOTAL	1/1/63	20	4,000	0	4,000	0	4,000	0	4,000	0	4,000	-
011/324-327 PUMPING EQUIPMENT												
1/1/63		20	4,000		4,000		4,000		4,000		4,000	-
1/1/77		20	281		281		281		281		281	-
1/1/79		20	747		747		747		747		747	(0)
1/1/83		20	1,159		1,159		1,159		1,159		1,159	-
1/1/84		20	446		446		446		446		446	(0)
8/29/86		10	11,599		11,599		11,599		11,599		11,599	0
11/6/86		10	378		378		378		378		378	(0)
6/30/89		20	2,514	126	2,398	116	2,514	0	2,514	0	2,514	0
1/31/95		20	9,793	490	8,665	490	9,155	490	9,644	149	9,793	(0)
1/11/95		20	983	49	909	49	958	25	984	0	984	(0)
6/1/2003		10	6,405	320	6,405	0	6,405	0	6,405	0	6,405	-
12/10/96		10	12,003		12,003		12,003		12,003		12,003	0
311 SUBTOTAL			50,308	984	48,991	654	49,645	515	50,160	149	50,308	(1)

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320/332 WATER TREATMENT EQUIPMENT												
	1/1/63	20	24,000		24,000		24,000		24,000		24,000	
	1/184	20	166		165		165		165		165	1
	6/30/87	20	1,490		1,490		1,490		1,490		1,490	(0)
320 SUBTOTAL			25,656	-	25,655	-	25,655	-	25,655	-	25,655	0
330/342 DISTRIBUTION RESERV. & STANDPIPE												
	1/1/63	30	32,700		32,700		32,700		32,700		32,700	-
Construction of Standpipe	12/31/89	30	143,483	4,783	114,787	4,783	119,570	4,783	124,353	4,783	129,135	14,347
Eng. & Admin. Costs	12/31/89	30	32,686	1,090	26,225	1,090	27,315	1,090	28,404	1,090	29,494	3,192
	12/31/91	30	7,900	263	6,056	263	6,319	263	6,582	263	6,846	1,054
	12/31/98	30	179	6	90	6	96	6	102	6	108	71
Links w/Engineering Costs	7/26/08	30	861,215	28,707	200,950	28,707	229,657	28,707	258,364	28,707	287,072	574,143
330 SUBTOTAL			1,078,163	34,849	380,808	34,849	415,657	34,849	450,506	34,849	485,354	592,809
330/343 TRANSMISSION AND DISTRIBUTION MAINS												
	1/1/63	33	250,830		250,830		250,830		250,830		250,830	-
	1/1/71	33	10,200		10,200		10,200		10,200		10,200	-
	1/1/72	33	3,990		3,990		3,990		3,990		3,990	-
	1/1/73	33	2,918		2,918		2,918		2,918		2,918	-
	1/1/74	33	3,394		3,394		3,394		3,394		3,394	-
	1/1/75	33	6,731		6,731		6,731		6,731		6,731	0
	1/1/76	33	2,686		2,686		2,686		2,686		2,686	(0)
	1/1/77	33	1,250		1,250		1,250		1,250		1,250	0
	1/1/78	33	205		205		205		205		205	(0)
	1/1/79	33	570	0	570	0	570	0	570	0	570	0
	1/1/80	33	277	0	277	0	277	0	277	0	277	0
	12/19/86	40	75	2	52	2	54	2	56	2	58	17
	11/21/86	40	1,269	32	862	32	894	32	925	32	957	312
	1/30/86	40	463	12	326	12	337	12	349	12	360	103
	11/14/86	40	768	19	522	19	541	19	560	19	579	189
	2/6/86	5	318	0	318	0	318	0	318	0	318	0
	10/28/86	10	283	0	283	0	283	0	283	0	283	(0)
	6/30/87	40	1,250	31	859	31	891	31	922	31	953	297
Ohio Trace Water Commission	3/7/90	40	1,577	39	885	39	924	39	964	39	1,003	574
Mid States (Pipe)	3/9/90	40	769	19	430	19	449	19	468	19	488	281
Waterworks (Pipe)	9/18/90	40	2,139	53	800	53	854	53	907	53	961	1,178
Waterworks (Pipe)	9/20/90	40	490	12	181	12	194	12	206	12	218	272
Turner & Applegate Exten.	3/15/90	40	6,239	156	3,456	156	3,612	156	3,768	156	3,924	2,315
Construction of Dist. Mains	12/31/89	40	503,349	12,584	314,593	12,584	327,177	12,584	339,761	12,584	352,344	151,004
Eng. & Admin. Costs	12/31/89	40	116,533	2,913	72,832	2,913	75,745	2,913	78,659	2,913	81,572	34,961
Automatic Control Valve	1/5/90	40	2,678	67	1,667	67	1,733	67	1,800	67	1,867	811
NEW LINE	10/30/1997	40	2,732,135	68,303	1,168,365	68,303	1,236,668	68,303	1,304,971	68,303	1,373,275	1,358,860
NEW LINE	5/31/1998	40	38,128	953	16,204	953	17,157	953	18,110	953	19,064	19,064
NEW LINE	6/1/2002	40	1,903,272	47,582	596,771	47,582	644,353	47,582	691,935	47,582	739,516	1,163,756
Extension AA	6/1/2003	40	24,949	624	7,173	624	7,797	624	8,421	624	9,044	15,905
	12/31/1998	40	1,550	39	582	39	620	39	659	39	698	852
	6/1/2004	40	60,900	1,523	15,986	1,523	17,509	1,523	19,031	1,523	20,554	40,347
Arnolds Inc.	4/1/2005	40	5,571	139	1,323	139	1,462	139	1,602	139	1,741	3,830
Arnolds Inc.	8/1/2006	40	15,653	391	3,326	391	3,718	391	4,109	391	4,500	11,153
Arnolds Inc.	10/30/2007	40	58,852	1,471	11,770	1,471	13,242	1,471	14,713	1,471	16,184	42,668
NEW LINE	3/20/2007	40	3,775	94	755	94	849	94	944	94	1,038	2,737

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NEW LINE/Engineering Costs	6/12/2008	40	2,645,633	66,141	462,986	66,141	529,127	66,141	595,267	66,141	661,408	1,984,224
Raynolds Inc.	7/18/2008	40	3,281	82	574	82	656	82	738	82	820	2,461
New Line	6/1/2009	40	129,954	3,249	19,493	3,249	22,742	3,249	25,991	3,249	29,240	100,714
New Line/Plant Upgrade	12/31/2010	40	482,785	12,070	60,348	12,070	72,418	12,070	84,487	12,070	96,557	386,228
Connector Vault	7/15/2014	40	14,790			370	370	370	740	370	1,109	13,681
Lead Bore and Install Water Lines	5/19/2015	40	13,800			173	173	345	518	345	863	12,938
Radio Read Meters/Water System Improv	6/30/2017	40	1,707,332				0	0	0	21,342	21,342	1,685,990
Directional Creek Bore - Springdale Rd	10/13/2017	40	19,625				0	0	0	245	245	19,380
	12/31/1999	40	36,935					923	15,697	923	16,620	20,315
331 SUBTOTAL			10,820,170	219,524	3,060,621	220,067	3,280,688	220,239	3,500,927	241,826	3,742,753	7,077,418
332 SERVICES												
	1/1/63	30	9,800		9,800		9,800		9,800		9,800	-
	1/1/77	30	3,222		3,222		3,222		3,222		3,222	0
	1/1/78	30	4,159		4,159		4,159		4,159		4,159	(0)
	1/1/79	30	2,284		2,284		2,284		2,284		2,284	(0)
	1/1/80	30	6,887		6,887		6,887		6,887		6,887	(0)
	1/1/81	30	4,164		4,164		4,164		4,164		4,164	(0)
	1/1/82	30	3,817		3,817		3,817		3,817		3,817	(0)
	1/1/83	30	2,359		2,360		2,360		2,360		2,360	(1)
	1/1/84	30	1,466		1,466		1,466		1,466		1,466	(0)
	1/1/85	30	2,363	79	2,364		2,364		2,364		2,364	(1)
333 SUBTOTAL			40,521	79	40,525	-	40,525	-	40,525	-	40,525	(4)
334 METERS AND METER INSTALLATIONS												
	1/1/63	20	18,000		18,000		18,000		18,000		18,000	-
	1/1/70	20	3,763		3,763		3,763		3,763		3,763	-
	1/1/71	20	2,248		2,248		2,248		2,248		2,248	-
	1/1/72	20	183		183		183		183		183	-
	1/1/74	20	1,876		1,876		1,876		1,876		1,876	-
	1/1/75	20	1,058		1,058		1,058		1,058		1,058	-
	1/1/76	20	1,380		1,380		1,380		1,380		1,380	-
	1/1/77	20	1,749		1,749		1,749		1,749		1,749	-
	1/1/77	20	41		41		41		41		41	-
	1/1/78	20	2,273		2,273		2,273		2,273		2,273	-
	1/1/78	20	1,376		1,376		1,376		1,376		1,376	-
	1/1/79	20	3,335		3,335		3,335		3,335		3,335	-
	1/1/79	20	1,377		1,377		1,377		1,377		1,377	-
	1/1/80	20	909		909		909		909		909	-
	1/1/80	20	59		59		59		59		59	-
	1/1/81	20	1,361		1,361		1,361		1,361		1,361	-
	1/1/81	20	103		103		103		103		103	-
	1/1/82	20	420		420		420		420		420	-
	1/1/82	20	71		71		71		71		71	-
	1/1/84	20	648		648		648		648		648	-
	1/1/85	20	170		170		170		170		170	-
	1/31/86	20	750		750		750		750		750	-
	3/13/86	20	460		460		460		460		460	-
	4/10/86	20	345		345		345		345		345	(0)
	5/9/86	20	114		114		114		114		114	(0)
	5/16/86	20	57		57		57		57		57	0
	9/1/86	20	586		586		586		586		586	(0)
	8/5/86	20	325		325		325		325		325	(0)
	4/20/86	20	802		802		802		802		802	0
	1/17/86	10	142		142		142		142		142	-
	9/5/86	10	82		82		82		82		82	-
	3/21/90	10	567		567		567		567		567	(0)
	1/2/90	10	601		601		601		601		601	-
	6/20/90	10	1,657		1,657		1,657		1,657		1,657	-
	4/13/90	10	750		750		750		750		750	-
	1/1/90	10	375		375		375		375		375	-

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	12/31/90	10	914		914		914		914		914	(0)
	12/31/90	10	1,314		1,314		1,314		1,314		1,314	0
	12/31/91	10	4,290		4,290		4,290		4,290		4,290	-
	12/31/92	10	9,610		9,610		9,610		9,610		9,610	-
	12/31/93	10	7,750		7,750		7,750		7,750		7,750	-
	12/31/94	10	6,200		6,200		6,200		6,200		6,200	-
	12/31/95	10	4,960		4,960		4,960		4,960		4,960	-
	12/31/96	10	4,030		4,030		4,030		4,030		4,030	-
	12/31/1998	10	15,250		15,250		15,250		15,250		15,250	-
	12/31/1998	10	200		200		200		200		200	-
	12/31/1999	10	12,600		12,600		12,600		12,600		12,600	-
(25)	12/31/2000	10	5,775		5,775		5,775		5,775		5,775	-
(51)	12/31/2001	10	15,300		15,300		15,300		15,300		15,300	-
(68)	12/31/2003	10	20,800		20,800	0	20,800	0	20,800	0	20,800	-
(43)	12/31/2004	10	12,900	645	12,900	0	12,900	0	12,900	0	12,900	-
(59)	12/31/2005	10	17,700	1,770	16,815	885	17,700	0	17,700	0	17,700	-
(74)	12/31/2006	10	22,132	2,213	19,919	2,213	22,132	0	22,132	0	22,132	0
(53)	12/31/2007	10	19,080	2,948	15,400	1,908	17,308	1,772	19,080	0	19,080	(0)
(58)	12/31/2008	10	20,880	2,088	14,616	2,088	16,704	2,088	18,792	2,088	20,880	-
(26)	12/31/2009	10	9,299	930	5,579	930	6,509	930	7,439	930	8,369	930
(30)	12/31/2010	10	16,269	1,627	8,135	1,627	9,761	1,627	11,388	1,627	13,015	3,254
(32)	12/31/2011	10	17,423	1,742	6,969	1,742	8,712	1,742	10,454	1,742	12,196	5,227
Meter at the Grain Company	12/8/2011	10	7,300	730	2,920	730	3,650	730	4,380	730	5,110	2,190
(32)	12/31/2012	10	17,600	1,268	4,295	1,760	6,055	1,760	7,815	1,760	9,575	8,025
(22)	12/31/2013	10	12,675	1,268	2,535	1,268	3,803	1,268	5,070	1,268	6,338	6,338
(10)	12/31/2014	10	11,250	1,125	1,125	1,125	2,250	1,125	3,375	1,125	4,500	6,750
(19)	12/31/2015	10	21,375			2,138	2,138	2,138	4,275	2,138	6,413	14,963
(37)	12/31/2016	10	41,440					4,144	4,144	4,144	8,288	33,152
(20)	12/31/2017	10	22,049				0	0	0	2,205	2,205	19,844
334 SUBTOTAL			428,377	18,353	270,214	18,413	288,627	19,323	307,950	19,756	327,706	100,671
339 OTHER PLANT AND MISCELLANEOUS												
	6/30/89	33	188	6	146	6	151	6	157	6	163	25
339 SUBTOTAL			188	6	146	6	151	6	157	6	163	25
340/391 OFFICE FURNITURE AND EQUIPMENT												
	1/1/79	20	78		78		78		78		78	-
	1/1/83	20	251		251		251		251		251	-
	1/1/85	20	587		587		587		587		587	-
Computer and Meter	1/1/93	10	10,054		10,054		10,054		10,054		10,054	(0)
Computers	8/25/2005	5	7,332		7,332		7,332		7,332		7,332	(0)
Software	3/31/2006	5	6,250		6,250		6,250		6,250		6,250	-
UPS System	3/30/2006	5	12,800		12,800		12,800		12,800		12,800	-
Computers	12/18/2008	5	2,148		2,148		2,148		2,148		2,148	-
Radio's	5/2/2008	5	3,000		3,000		3,000		3,000		3,000	-
Mapping System (BTADD)	12/9/2013	10	6,000	600	1,200	600	1,800	600	2,400	600	3,000	3,000
SCADA upgrade - Control Panel	3/31/2016	10	14,165				0	1,417	1,417	1,417	2,833	11,332
SCADA upgrade - Electric Valve	8/2/2016	10	9,200				0	920	920	920	1,840	7,360
Office Furniture	8/1/2017	10	33,362				0	0	0	3,336	3,336	30,026
Computer and Software	4/4/1998	5	11,832		11,832		11,832		11,832		11,832	-
340 SUBTOTAL			117,059	600	55,532	600	56,132	2,937	59,069	6,273	65,342	51,717
335/346 HYDRANTS												
	1/1/63	20	2,400		2,400		2,400		2,400		2,400	-
	1/1/82	20	156		156		156		156		156	-
	1/1/84	20	930		930		930		930		930	-
	1/1/85	20	1,033		1,033		1,033		1,033		1,033	-
335 SUBTOTAL			4,519	0	4,519	0	4,519	0	4,519	0	4,519	0

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341/392 TRANSPORTATION EQUIPMENT																							
2005 Ford F-150	3/10/2005	5	13,338		13,338		13,338		13,338		13,338	0											
Chevrolet 4x4	5/18/2010	5	20,113	4,023	20,113	0	20,113	0	20,113	0	20,113	-											
2015 Chevy Truck	5/6/2015	5	31,363			6,273	6,273	6,273	12,545	6,273	18,818	12,545											
341 /392 SUBTOTAL			64,814	4,023	33,451	6,273	39,723	6,273	45,996	6,273	52,268	12,546											
345/398 & 397 OTHER TANGIBLE PLANT																							
Backhoe	6/30/87	15	900		900		900		900		900	(0)											
Excavator	7/3/2013	10	85,000	4,250	8,500	8,500	17,000	8,500	25,500	8,500	34,000	51,000											
Excavator	11/19/2015	10	44,028			2,201	2,201	4,403	6,604	4,403	11,007	33,021											
JD Z915B Commerical Ztrack Mower	5/9/2017	10	5,111				0	0	0	511	511	4,600											
348 SUBTOTAL			135,039	4,250	9,400	10,701	20,101	12,903	33,004	13,414	46,418	88,621											
343/398 TOOLS, SHOP AND GARAGE EQUIPMENT																							
	1/1/82	15	410		410		410		410		410	-											
	1/1/83	15	550		550		550		550		550	-											
	6/30/89	15	39		39		39		39		39	(0)											
	10/28/2005	10	2,006	201	1,906	100	2,006	0	2,006	0	2,006	0											
	1/1/92	15	910		910		910		910		910	(0)											
343 SUBTOTAL			3,915	201	3,815	100	3,915	0	3,915	0	3,915	0											
345 POWER OPERATED EQUIPMENT																							
	1/1/81	10	2,456		2,456		2,456		2,456		2,456	-											
	1/1/85	10	100		100		100		100		100	-											
	9/1/86	10	241		241		241		241		241	-											
	1/16/86	10	111		111		111		111		111	0											
	1/10/86	10	536		536		536		536		536	0											
	2/20/86	10	150		150		150		150		150	-											
	3/20/86	10	63		63		63		63		63	(0)											
Wood boring machine	6/5/2008	10	4,056	406	2,839	406	3,245	406	3,650	406	4,056	-											
	6/30/88	10	28		28		28		28		28	(0)											
345 SUBTOTAL			7,741	406	6,524	406	6,930	406	7,335	406	7,741	(0)											
TOTALS -- WATER DIVISION				\$	13,395,242	\$	292,768	\$	4,032,207	\$	302,092	\$	4,334,299	\$	309,269	\$	4,643,568	\$	339,305	\$	4,982,873	\$	8,412,369
Plant Totals Gas & Water				\$	13,847,453	\$	297,356	\$	4,316,770	\$	303,269	\$	4,620,039	\$	311,667	\$	4,931,706	\$	344,466	\$	5,276,172	\$	8,571,283

**WESTERN LEWIS-RECTORVILLE GAS & WATER DISTRICT
BOND RETIREMENT SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	FmHA BOND (5%)		RD BOND (4.5%)		RD BOND (4.5%)		RD BOND (4.5%)		FmHA BOND (4.375%)		TOTAL REQUIREMENTS FOR YEAR		BONDS OUTSTANDING END OF YEAR
	1988 (SERIES A)		1996 (SERIES A)		1996 (SERIES B)		2001		2007		BONDS	INTEREST	
	BONDS	INTEREST	BONDS	INTEREST	BONDS	INTEREST	BONDS	INTEREST	BONDS	INTEREST			
2018	6,000	3,550	23,000	31,410	18,000	23,490	6,500	12,038	11,000	27,650	64,500	98,138	2,126,000
2019	6,000	3,250	24,000	30,375	19,000	22,680	6,500	11,745	12,000	27,169	67,500	95,219	2,058,500
2020	6,000	2,950	25,000	29,295	20,000	21,825	7,000	11,453	12,000	26,644	70,000	92,167	1,988,500
2021	6,000	2,650	26,000	28,170	20,000	20,925	7,500	11,138	13,000	26,119	72,500	89,002	1,916,000
2022	7,000	2,350	28,000	27,000	22,000	20,025	7,500	10,800	13,000	25,550	77,500	85,725	1,838,500
2023	7,000	2,000	29,000	25,740	22,000	19,035	8,000	10,463	14,000	24,981	80,000	82,219	1,758,500
2024	8,000	1,650	30,000	24,435	24,000	18,045	8,500	10,103	14,000	24,369	84,500	78,602	1,674,000
2025	8,000	1,250	32,000	23,085	24,000	16,965	8,500	9,720	15,000	23,756	87,500	74,776	1,586,500
2026	8,000	850	33,000	21,645	26,000	15,885	9,000	9,338	16,000	23,100	92,000	70,818	1,494,500
2027	9,000	450	35,000	20,160	27,000	14,715	9,500	8,933	16,000	22,400	96,500	66,658	1,398,500
2028			37,000	37,845	28,000	13,500	10,000	8,505	17,000	21,700	92,000	81,550	1,306,500
2029			39,000	16,920	29,000	12,240	10,500	8,055	18,000	20,956	96,500	58,171	1,208,500
2030			41,000	15,165	31,000	10,935	11,000	7,583	19,000	20,169	102,000	53,852	1,107,500
2031			43,000	13,320	32,000	9,540	11,500	7,088	20,000	19,338	106,500	49,286	1,001,500
2032			45,000	11,385	33,000	8,100	12,000	6,570	20,000	18,463	110,000	44,518	891,500
2033			48,000	9,360	35,000	6,615	12,500	6,030	21,000	17,588	116,500	39,593	774,500
2034			51,000	7,200	36,000	5,040	13,000	5,468	22,000	16,669	122,000	34,377	652,500
2035			53,000	4,905	38,000	3,420	13,500	4,883	23,000	15,706	127,500	28,914	525,500
2036			56,000	2,520	38,000	1,710	14,000	4,275	24,000	14,700	132,000	23,205	383,500
2037							15,000	3,645	25,000	13,650	40,000	17,295	251,500
2038							15,500	2,970	27,000	12,556	42,500	15,526	210,500
2039							16,000	2,273	28,000	11,375	44,000	13,648	266,500
2040							17,000	1,553	29,000	10,150	46,000	11,703	220,500
2041							17,500	788	30,000	8,881	47,500	9,669	173,000
2042									32,000	7,569	32,000	7,569	141,000
2043									33,000	6,169	33,000	6,169	108,000
2044									35,000	4,725	35,000	4,725	73,000
2045									36,000	3,194	36,000	3,194	37,500
2046									37,000	1,619	37,000	1,619	
TOTAL	\$ 71,000	\$ 20,950	\$ 698,000	\$ 379,935	\$ 522,000	\$ 264,690	\$ 267,500	\$ 175,417	\$ 632,000	\$ 496,915	\$ 2,190,500	\$ 1,337,907	
ORIGINAL PRINCIPAL	\$ 150,000		\$ 971,000		\$ 750,000		\$ 333,000		\$ 712,000				
PAYMENT DATES	NOV 1		NOV 1		NOV 1		NOV 1		NOV 1				
PRINCIPAL INTEREST	MAY 1, NOV 1		MAY 1, NOV 1		MAY 1, NOV 1		MAY 1, NOV 1		MAY 1, NOV 1				

KENTUCKY INFRASTRUCTURE AUTHORITY
 REPAYMENT SCHEDULE
 LOAN #F15-005

WESTERN LEWIS-RECTORVILLE WATER & GAS DISTRICT
 FINAL

Original Loan Amount \$ 1,266,500.00
 Principal Forgiven \$ (379,950.00)
 Amount to be Amortized \$ 886,550.00

0.75% Rate
 \$23,909.03 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
								\$886,550.00		
12/01/17	\$20,584.47	\$3,315.65	0.75%	\$23,900.12	\$1,108.19	\$0.00	\$25,008.31	\$865,965.53	\$3,200.00	\$3,200.00
06/01/18	\$20,661.66	\$3,247.37	0.75%	\$23,909.03	\$1,082.46	\$0.00	\$24,991.49	\$845,303.87	\$0.00	\$3,200.00
12/01/18	\$20,739.14	\$3,169.89	0.75%	\$23,909.03	\$1,056.63	\$0.00	\$24,965.66	\$824,564.73	\$3,200.00	\$6,400.00
06/01/19	\$20,816.91	\$3,092.12	0.75%	\$23,909.03	\$1,030.71	\$0.00	\$24,939.74	\$803,747.82	\$0.00	\$6,400.00
12/01/19	\$20,894.98	\$3,014.05	0.75%	\$23,909.03	\$1,004.68	\$0.00	\$24,913.71	\$782,852.84	\$3,200.00	\$9,600.00
06/01/20	\$20,973.33	\$2,935.70	0.75%	\$23,909.03	\$978.57	\$0.00	\$24,887.60	\$761,879.51	\$0.00	\$9,600.00
12/01/20	\$21,051.98	\$2,857.05	0.75%	\$23,909.03	\$952.35	\$0.00	\$24,861.38	\$740,827.53	\$3,200.00	\$12,800.00
06/01/21	\$21,130.93	\$2,778.10	0.75%	\$23,909.03	\$926.03	\$0.00	\$24,835.06	\$719,696.60	\$0.00	\$12,800.00
12/01/21	\$21,210.17	\$2,698.86	0.75%	\$23,909.03	\$899.62	\$0.00	\$24,808.65	\$698,486.43	\$3,200.00	\$16,000.00
06/01/22	\$21,289.71	\$2,619.32	0.75%	\$23,909.03	\$873.11	\$0.00	\$24,782.14	\$677,196.72	\$0.00	\$16,000.00
12/01/22	\$21,369.54	\$2,539.49	0.75%	\$23,909.03	\$846.50	\$0.00	\$24,755.53	\$655,827.18	\$3,200.00	\$19,200.00
06/01/23	\$21,449.68	\$2,459.35	0.75%	\$23,909.03	\$819.78	\$0.00	\$24,728.81	\$634,377.50	\$0.00	\$19,200.00
12/01/23	\$21,530.11	\$2,378.92	0.75%	\$23,909.03	\$792.97	\$0.00	\$24,702.00	\$612,847.39	\$3,200.00	\$22,400.00
06/01/24	\$21,610.85	\$2,298.18	0.75%	\$23,909.03	\$766.06	\$0.00	\$24,675.09	\$591,236.54	\$0.00	\$22,400.00
12/01/24	\$21,691.89	\$2,217.14	0.75%	\$23,909.03	\$739.05	\$0.00	\$24,648.08	\$569,544.65	\$3,200.00	\$25,600.00
06/01/25	\$21,773.24	\$2,135.79	0.75%	\$23,909.03	\$711.93	\$0.00	\$24,620.96	\$547,771.41	\$0.00	\$25,600.00
12/01/25	\$21,854.89	\$2,054.14	0.75%	\$23,909.03	\$684.71	\$0.00	\$24,593.74	\$525,916.52	\$3,200.00	\$28,800.00
06/01/26	\$21,936.84	\$1,972.19	0.75%	\$23,909.03	\$657.40	\$0.00	\$24,566.43	\$503,979.68	\$0.00	\$28,800.00
12/01/26	\$22,019.11	\$1,889.92	0.75%	\$23,909.03	\$629.97	\$0.00	\$24,539.00	\$481,960.57	\$3,200.00	\$32,000.00
06/01/27	\$22,101.68	\$1,807.35	0.75%	\$23,909.03	\$602.45	\$0.00	\$24,511.48	\$459,858.89	\$0.00	\$32,000.00
12/01/27	\$22,184.56	\$1,724.47	0.75%	\$23,909.03	\$574.82	\$0.00	\$24,483.85	\$437,674.33	\$0.00	\$32,000.00
06/01/28	\$22,267.75	\$1,641.28	0.75%	\$23,909.03	\$547.09	\$0.00	\$24,456.12	\$415,406.58	\$0.00	\$32,000.00
12/01/28	\$22,351.26	\$1,557.77	0.75%	\$23,909.03	\$519.26	\$0.00	\$24,428.29	\$393,055.32	\$0.00	\$32,000.00
06/01/29	\$22,435.07	\$1,473.96	0.75%	\$23,909.03	\$491.32	\$0.00	\$24,400.35	\$370,620.25	\$0.00	\$32,000.00
12/01/29	\$22,519.20	\$1,389.83	0.75%	\$23,909.03	\$463.28	\$0.00	\$24,372.31	\$348,101.05	\$0.00	\$32,000.00
06/01/30	\$22,603.65	\$1,305.38	0.75%	\$23,909.03	\$435.13	\$0.00	\$24,344.16	\$325,497.40	\$0.00	\$32,000.00
12/01/30	\$22,688.41	\$1,220.62	0.75%	\$23,909.03	\$406.87	\$0.00	\$24,315.90	\$302,808.99	\$0.00	\$32,000.00
06/01/31	\$22,773.50	\$1,135.53	0.75%	\$23,909.03	\$378.51	\$0.00	\$24,287.54	\$280,035.49	\$0.00	\$32,000.00
12/01/31	\$22,858.90	\$1,050.13	0.75%	\$23,909.03	\$350.04	\$0.00	\$24,259.07	\$257,176.59	\$0.00	\$32,000.00
06/01/32	\$22,944.62	\$964.41	0.75%	\$23,909.03	\$321.47	\$0.00	\$24,230.50	\$234,231.97	\$0.00	\$32,000.00
12/01/32	\$23,030.66	\$878.37	0.75%	\$23,909.03	\$292.79	\$0.00	\$24,201.82	\$211,201.31	\$0.00	\$32,000.00
06/01/33	\$23,117.03	\$792.00	0.75%	\$23,909.03	\$264.00	\$0.00	\$24,173.03	\$188,084.28	\$0.00	\$32,000.00
12/01/33	\$23,203.71	\$705.32	0.75%	\$23,909.03	\$235.11	\$0.00	\$24,144.14	\$164,880.57	\$0.00	\$32,000.00
06/01/34	\$23,290.73	\$618.30	0.75%	\$23,909.03	\$206.10	\$0.00	\$24,115.13	\$141,589.84	\$0.00	\$32,000.00
12/01/34	\$23,378.07	\$530.96	0.75%	\$23,909.03	\$176.99	\$0.00	\$24,086.02	\$118,211.77	\$0.00	\$32,000.00
06/01/35	\$23,465.74	\$443.29	0.75%	\$23,909.03	\$147.76	\$0.00	\$24,056.79	\$94,746.03	\$0.00	\$32,000.00
12/01/35	\$23,553.73	\$355.30	0.75%	\$23,909.03	\$118.43	\$0.00	\$24,027.46	\$71,192.30	\$0.00	\$32,000.00
06/01/36	\$23,642.06	\$268.97	0.75%	\$23,909.03	\$88.99	\$0.00	\$23,998.02	\$47,550.24	\$0.00	\$32,000.00
12/01/36	\$23,730.72	\$178.31	0.75%	\$23,909.03	\$59.44	\$0.00	\$23,968.47	\$23,819.52	\$0.00	\$32,000.00
06/01/37	\$23,819.52	\$89.51	0.75%	\$23,909.03	\$29.77	\$0.00	\$23,938.80	\$0.00	\$0.00	\$32,000.00
Totals	\$886,550.00	\$69,802.29		\$956,352.29	\$23,270.34	\$0.00	\$979,622.63		\$32,000.00	



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

October 2, 2014

John Thomas, Chairman
Western Lewis-Rectorville Water & Gas District
P.O. Box 8044 KY 3161
Maysville KY 41056

2014 OCT 17 PM 11 07
RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F15-005)**

Dear Mr. Thomas:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On October 2, 2014, the Authority approved your loan for the Water System Improvements Project subject to the conditions stated below. The total cost of the project shall not exceed \$1,280,000 of which the Authority loan shall provide \$1,266,500 of the funding. Other anticipated funding for the project is reflected in the following attachments. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachments incorporated herein by reference fully describe the project.

An Assistance Agreement will be executed between the Authority and the Western Lewis-Rectorville Water & Gas District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter October 2, 2015, will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$1,266,500.

2. The loan shall contain principal forgiveness in the amount of 30%. Actual amortized loan and forgiveness amounts will be based on actual project costs drawn from the Authority.
3. The loan shall bear interest at the rate of 0.75 percent per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds may be considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. Please note that the guidance for single audit requirements will change for

John Thomas, Chairman
10/3/2014
Page 3

calendar or fiscal years beginning after December 26, 2014. Please consult with your independent auditor as soon as possible to understand how the changes will affect you.

11. The Authority requires an annual financial audit to be performed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
4. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
5. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
6. The Borrower must complete and return to the Authority the attached "Authorization for Electronic Deposit of Vendor Payment" Form.
7. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.

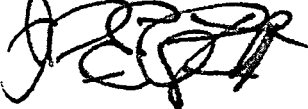
8. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
9. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
10. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.
11. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
12. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project.
13. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
14. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
15. The project shall comply with American Iron and Steel requirements of The Consolidated Appropriations Act of 2014 (H.R. 3547), which became effective January 17, 2014, unless engineering plans and specifications were approved by the Division of Water prior to the effective date.

Any special conditions stated in the Project Review attachment must be resolved.

John Thomas, Chairman
October 2, 2014
Page 5

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



John Covington, III
Executive Director

Attachments

cc: Laura Jefferson, Buffalo Trace Area Development District
Chris Stewart, HMB Professional Engineers, Inc
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG
Borrower File - F15-005

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.


Accepted

10-13-14
Date

**MEMORANDUM OF UNDERSTANDING
TO ACT AS
PROJECT ADMINISTRATOR
FOR
KIA FUND F FUNDS**

This Memorandum of Understanding made and entered into this 11th day of February 2016, by and between the Buffalo Trace Area Development District, PO Box 460, Maysville, Kentucky 41056, herein known as "BTADD", and the Western Lewis Rectorville Water and Gas District, 8044 KY 3161, Maysville, KY 41056, hereinafter known as "WLRWD".

WHEREAS, WLRWD has entered into a grant agreement with the Kentucky Infrastructure Authority for funding through the Kentucky Infrastructure Authority (KIA) Fund F Loan Program to complete a waterline project in Lewis and Mason Counties and,

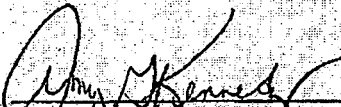
WHEREAS, WLRWD desires BTADD to serve as Project Administrator for the project,

THEREFORE, WLRWD is to provide BTADD with all information necessary and pertinent to allow BTADD to carry out the role of Project Administrator for the project and assist WLRWD in meeting the requirements stipulated in the KIA Agreement;

THEREFORE, BTADD agrees to act as the Project Administrator for the project awarded to WLRWD in the amount of \$1,265,000 (project also received \$500,000 ARC for a total project cost of \$1,765,000) for the waterline project for a fee of \$25,000. BTADD shall retain all records relating to the project and maintain client confidentiality throughout the term of this agreement, which shall commence upon execution of this document by both parties, and conclude at the date of project closeout.

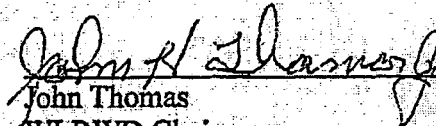
TERMINATION CLAUSE

Either party to this agreement shall be authorized to terminate said agreement for its own convenience upon 30 days written notice. Compensation to BTADD for costs incurred up to time of termination shall not exceed an amount proportionate to the sum of project completed to date. Payment of the sum agreed to in settlement of a contract terminated for convenience shall be made from the same source of funds or accounts as the original contract.



Amy Kennedy, Executive Director
Buffalo Trace Area Development District

2/15/16
DATE



John Thomas
WLRWD Chairman

2/11/16
DATE

Water and Waste System Grant Agreement

United States Department of Agriculture

Rural Utilities Service

APPALACHIAN REGIONAL COMMISSION

COPY

THIS AGREEMENT dated 4/7/2016 between

Western Lewis-Rectorville Water and Gas District

a public corporation organized and operating under

KRS Chapter 74

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ 1,781,100.00 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 1,281,100.00 of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 1,281,100.00 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 500,000.00 or 28.07 percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, in consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed 28.07 percent of the project development costs, as defined by applicable Rural Utilities Service instructions:

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by resolution dated _____, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

Any and all property purchased with grant funds.

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment (use continuation sheets as necessary).

Any and all property purchased with grant funds.

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revision 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 500,000.00 which it will advance to Grantee to meet not to exceed 28.07 percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

Chairman

attested and its corporate seal affixed by its duly authorized

Secretary

Attest:

By *Leung Yon*

(Title) Secretary

By *John Thomas*

(Title) Chairman

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By

Elwood Howe
Area Director

(Title)

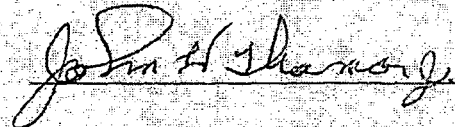
RIGHT- OF - WAY CERTIFICATE

The undersigned, Western Lewis-Rectorville Water and Gas District
hereby certifies except as noted in item 4 below:

1. That the undersigned has acquired and presently holds continuous and adequate rights-of-way on private lands needed for the construction, operation, and maintenance of the facilities to be installed, repaired, or enlarged with the proceeds of a loan made or insured by, and/or a grant from, United States Department of Agriculture and such omissions, defects, or restrictions as may exist will in no substantial way or manner endanger the value or the operation of the facilities.
2. That the undersigned has acquired the necessary permits, franchises, and authorizations or other instruments by whatsoever name designated, from public utilities and public bodies, commissions, or agencies authorizing the construction, operation, and maintenance of the facilities upon, along or across streets, roads, highways, and public utilities.
3. That the attached "Right-of-way Map" shows the location and description of all land and rights-of-way acquired by right of use or adverse possession and by legal conveyances such as right-of-way or easement deeds, permits, or other instruments.
4. Exceptions:
None

WITNESS WHEREOF, applicant hereunto affixes its name and corporate seal this 7th day of

April, 2016



By John Thomas

Attest:


(Secretary)

Title Chairman

(Affix Corporate Seal Here)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer, OIRM, AG Box 7630, Washington, D.C. 20259 Please DO NOT RETURN this form to this address. Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB control number.

CERTIFICATE OF NO-LITIGATION

We, _____, Chairman, _____, Secretary,
and _____, Treasurer, do hereby certify that we are the officers
respectively indicated above of the Association constituting the governing body of the
Western Lewis-Rectorville Water & Gas District in Mason _____ County, Kentucky.

We certify that no controversy of litigation is pending, prayed or threatened, involving the creation,
organization, existence or boundaries of said Association or the titles of any of its officers to their
respective positions, or the power and duty of said Association, to construct, own and operate
Water District, as a revenue producing undertaking.

IN WITNESS WHEREOF, We have hereunto affixed our respective official signatures of said
Association this 7th _____ day of April _____, 20 16 .

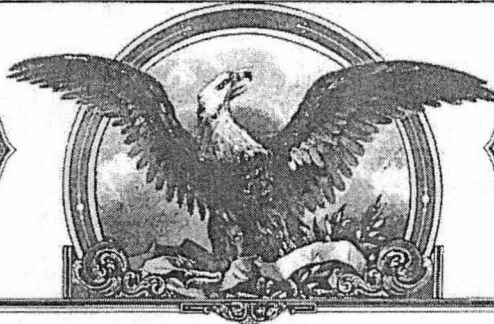
John H. Thamer, Jr.
Chairman

Tommy Thomas
Secretary

Robert Applegate
Treasurer

NUMBER

R-1



UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS

Western Lewis-Rectorville Water District

WATER AND GAS SYSTEM REVENUE BOND, SERIES 2007

KNOW ALL MEN BY THESE PRESENTS: That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

SEVEN HUNDRED TWELVE THOUSAND DOLLARS (\$712,000)

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

Year	Principal	Year	Principal	Year	Principal
2009	\$ 7,000	2022	\$13,000	2035	\$ 23,000
2010	8,000	2023	14,000	2036	24,000
2011	8,000	2024	14,000	2037	25,000
2012	8,000	2025	15,000	2038	27,000
2013	9,000	2026	16,000	2039	28,000
2014	9,000	2027	16,000	2040	29,000
2015	10,000	2028	17,000	2041	30,000
2016	10,000	2029	18,000	2042	32,000
2017	11,000	2030	19,000	2043	33,000
2018	11,000	2031	20,000	2044	35,000
2019	12,000	2032	20,000	2045	36,000
2020	12,000	2033	21,000	2046	37,000
2021	13,000	2034	22,000		

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of 4.375% per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the principal amount of \$712,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund." The Bonds of

this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds, 1996 Series A and B Bonds and Series 2001 Bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this issue of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2017, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of One Thousand Dollars (\$1,000) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is

March 28 2008

Western Lewis-Rectorville Water District

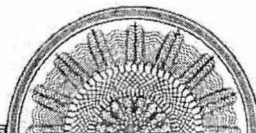
Attest:

Leroy Shomer

Secretary

James H. Shomer

Chairman of Commission



91-11

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR WATER SERVICE IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, SERIES 2007, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZE

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A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR WATER SERVICE IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, SERIES 2007, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

WHEREAS, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), the Western Lewis-Rectorville Water District (the "District"), Lewis and Mason Counties, Kentucky, has been created and organized as a public body corporate and a statutory water district with all powers and authority as provided in KRS Chapter 74; and the District is at this time a *de jure* water district situated wholly in Lewis and Mason Counties, Kentucky; and

WHEREAS, by Ordinance of the Commission of the District adopted on November 3, 1961 (the "1961 Ordinance"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, dated November 1, 1961 (the "1961 Bonds"), for the purpose of providing funds for the construction of a water and gas distribution system (the "System") to serve the area of the District, which 1961 Bonds have been paid and retired and are no longer outstanding; and

WHEREAS, by Resolution of September 10, 1988 (the "1988 Resolution"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, 1988 Series A and B, in the original amount of \$280,000, dated March 23, 1989 (the "1988 Bonds"), for the purpose of constructing new water line additions and extensions, a portion of which 1988 Bonds is currently outstanding; and

WHEREAS, it was provided in and by the 1988 Resolution, that the District may issue additional bonds ranking on a basis of parity and equality with the 1988 Bonds, and pursuant to those provisions the District authorized, by Resolution of May 17, 1996 (the "1996 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1996 Series A and B, in the original amount of \$1,721,000, dated November 12, 1996 (the "1996 Bonds"), for the purpose of constructing water system extensions and improvements, a portion of which 1996 Bonds is currently outstanding; and

WHEREAS, pursuant to the above-described parity bond provisions the District authorized, by Resolution of August 13, 2001 (the "2001 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, Series 2001, in the original amount of \$333,000, dated March 13, 2002 (the "2001 Bonds"), for the purpose of constructing water system extensions and improvements, a portion of which 2001 Bonds is currently outstanding; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the Bonds herein authorized) the right and authority to acquire, construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by HMB Professional Engineers, Inc., Frankfort, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the acquisition, construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the described project will be \$2,750,300, and to provide such funds the District has received from the United States Department of Agriculture, Rural Development ("USDA"), an offer to make a USDA loan to the District in the amount of \$712,000, which will be supplemented by a USDA Grant in the amount of \$325,000, a KIA 2020 Grant of \$500,000, a TDF Industrial Park Grant of \$200,000, a TDF Lewis and Mason Counties Grant of \$823,000, a TDF Lewis County Fiscal Court Grant of \$100,000, and available funds of the District in the amount of \$90,300; and

WHEREAS, it is now appropriate for the District to provide for borrowing the sum of \$712,000 through issuance and sale of its Water and Gas System Revenue Bonds, Series 2007 (the "2007 Bonds"), according to authority of Kentucky Revised Statutes ("KRS") Chapters 58 and 74 and the provisions of the 1988 Resolution, 1996 Resolution and 2001 Resolution permitting the issuance of parity bonds; and the 2007 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky;

NOW, THEREFORE, THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS;
AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the acquisition, construction and installation of major additions and extensions to the District's water distribution facilities (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by HMB Professional Engineers, Inc., Frankfort, Kentucky (the "Engineers"). Immediate undertaking of such acquisition, construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The acquisition, construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's municipal combined water and gas distribution system (the "System," as expanded and improved by the Project), and so long as any of the 2007 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District on a combined and consolidated basis for the security and source of payment of the 2007 Bonds hereinafter authorized to be issued, and all other parity bonds outstanding and any such parity bonds which may be hereafter issued. The Project is to be acquired, constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 58, now in full force and effect. The System, as expanded from time to time, and including the Project, is hereby declared to be a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

SECTION 3

2007 BONDS AUTHORIZED: CERTAIN TERMS AND DETAILS

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 2007 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water and Gas System Revenue Bonds, Series 2007, in the aggregate principal amount of \$712,000 (the "2007 Bonds").

The 2007 Bonds shall be dated as of the date of their original delivery and shall be issuable as a single fully registered bond without coupons as hereinafter provided in Section 5,

with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 2007 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 2007 Bonds shall mature as to principal in installments on November 1 in each of the years 2008 to 2045, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on May 1 and November 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 2007 Bonds as hereinafter provided. The installments of principal of the 2007 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedule:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2009	\$ 7,000	2022	\$13,000	2035	\$ 23,000
2010	8,000	2023	14,000	2036	24,000
2011	8,000	2024	14,000	2037	25,000
2012	8,000	2025	15,000	2038	27,000
2013	9,000	2026	16,000	2039	28,000
2014	9,000	2027	16,000	2040	29,000
2015	10,000	2028	17,000	2041	30,000
2016	10,000	2029	18,000	2042	32,000
2017	11,000	2030	19,000	2043	33,000
2018	11,000	2031	20,000	2044	35,000
2019	12,000	2032	20,000	2045	36,000
2020	12,000	2033	21,000	2046	37,000
2021	13,000	2034	22,000		

provided, however, that installments of principal of the 2007 Bonds maturing on and after November 1, 2018, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after November 1, 2017, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 2007 Bonds; provided, that so long as USDA is the owner of any of the 2007 Bonds, the same may be prepaid in whole or in part at any time, at par plus accrued interest, and without notice or prepayment premium. The 2007 Bonds may be prepaid only in increments of \$1,000.

Both principal of and interest on the 2007 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 2007 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 2007 Bond. The 2007 Bonds, together with the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund," 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 revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

The District finds and declares that the 2007 Bonds herein authorized to be issued shall rank on a basis of parity and equality as to security and source of payment with the outstanding 1988 Bonds, 1996 Bonds and 2001 Bonds, as previously defined, inasmuch as the District is in compliance with all covenants and undertakings in connection with its 1988, 1996 and 2001 Bonds, has obtained the waiver and consent of USDA, as the holder of the 1988, 1996 and 2001 Bonds, to the issuance of the parity 2007 Bonds herein authorized; and is otherwise in compliance with the parity bond terms and conditions of the 1988 Resolution.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 2007 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lewis County Herald, a legal newspaper published in Vanceburg, Lewis County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; (b) the Ledger Independent, a legal newspaper published in Maysville, Mason County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (c) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 2007 Bonds to be sold, the time of the sale and other details concerning the 2007 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 2007 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, *inter alia*, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 2007 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 2007 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the

District's possession. Bidders are required to bid a cash price of not less than par value for the 2007 Bonds.

(B) The single interest rate must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 2007 Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 2007 Bonds, which good faith deposit may be applied as partial payment for the 2007 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 2007 Bonds, computed from the first day of the month following the date of sale of the 2007 Bonds (even though the 2007 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 2007 Bonds at the office of the District within 45 days after the date of sale thereof. If the 2007 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 2007 Bonds, except that 2007 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 2007 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Stoll Keenon Ogden PLLC, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 2007 Bonds, without additional cost to the successful bidder.

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

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 2007 Bonds.

SECTION 5

2007 BONDS TO BE ISSUED IN
FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 2007 Bonds, the District shall issue a single fully registered 2007 Bond numbered R-1 (hereinafter referred to as the "Fully Registered Bond"). The Fully Registered Bond shall be in the aggregate principal amount of \$712,000, maturing as to principal in installments as set out in Section 3 hereof. The Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. The Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 2007 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. The Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon the transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on such Fully Registered Bond and deliver a Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of the Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

The Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS
WESTERN LEWIS-RECTORVILLE WATER DISTRICT
WATER AND GAS SYSTEM REVENUE BOND, SERIES 2007

No. R-1

\$712,000

KNOW ALL MEN BY THESE PRESENTS:

That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of SEVEN HUNDRED TWELVE THOUSAND DOLLARS (\$712,000) on the first day of November in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here insert the principal maturities of the 2007 Bonds)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of percent _____% per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the principal amount of \$712,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund." The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds, 1996 Series A and B Bonds and Series 2001 Bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this issue of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2017, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of One Thousand Dollars (\$1,000) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from *ad valorem* taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

WESTERN LEWIS-RECTORVILLE
WATER DISTRICT

By _____
Chairman of the Commission

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Signature of the Water District's Bond Registrar</u>
	United States of America Department of Agriculture State Office 771 Corporate Dr., Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the 2007 Bonds)

SECTION 6

DISPOSITION OF 2007 BOND PROCEEDS; CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in the bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 2007 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 2007 Bonds shall be applied as follows:

Upon the issuance and delivery of the 2007 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Western Lewis-Rectorville Water District 2007 Construction Fund" (the "Construction Fund"), which is hereby created. The 2007 Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 2007 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by the separate interim financing Resolution of the Commission of the District adopted concurrently herewith; provided, however, any 2007 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lender without the requirement of being deposited to the Construction Fund. There shall also be deposited in the Construction Fund, as received, the proceeds of all grants in aid of construction of the Project (as specified in the conditions of the USDA loan to the District), unless said sums, or any portions thereof, have already been expended for authorized Project purposes.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 2007 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 2007 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman or Secretary and, if USDA is the purchaser of the Bonds, by USDA.

Pending disbursement, the 2007 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Sinking Fund and shall be used at the earliest practicable date for the retirement of 2007 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 2007 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 2007 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 2007 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

It is hereby resolved and provided that from and after issuance and delivery of the 2007 Bonds herein authorized, and so long as any of the 2007 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis, and on that basis the cash income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1961 Ordinance identified as the "Western Lewis-Rectorville Water District Revenue Fund" (the "Revenue Fund"), the continued existence of which is reaffirmed and which shall continue to be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall be used, disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District was created to be deposited and maintained in the Depository Bank, distinct and apart from all other funds and accounts, designated and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund" (the "Sinking Fund"), which shall continue to be maintained so long as any of the 2007 Bonds herein authorized or parity bonds are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the 1988, 1996, 2001 and 2007 Bonds and any parity bonds which may be issued and outstanding from time to time pursuant to the provisions of this Resolution.

Following delivery of and payment for the 2007 Bonds herein authorized, there shall be transferred on or before the 20th day of each month from the Revenue Fund to the Sinking Fund, in addition to the principal and interest requirements of the 1988 Bonds, 1996 Bonds and 2001 Bonds according to the 1988, 1996 and 2001 Resolutions, not less than the following amounts:

- (i) beginning with and including the month in which interest shall last be payable from all 2007 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 2007 Bonds then outstanding; and
- (ii) beginning on November 20, 2008, a sum equal to one-twelfth (1/12) of the principal of all 2007 Bonds maturing on the next succeeding November 1.

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

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than five (5) years from the date the investment is made, or the final maturity date of 2007 Bonds or parity bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

(C) A separate and special fund or account of the District was heretofore created, distinct and apart from all other funds and accounts of the District, and is designated and identified as the "Western Lewis-Rectorville Water District Depreciation Fund" (the "Depreciation Fund"), which is hereby continued.

After observing the priority of deposits set forth in (A) above, which are cumulative, there shall be set apart and paid into the Depreciation Fund each month for the account of the 2007 Bonds (in addition to such monthly payments required for the account of the 1988, 1996 and 2001 Bonds) not less than \$320 from the remaining funds in the Revenue Fund, such monthly deposits to continue so long as any bonds payable from the income and revenues of the System remain outstanding and unpaid.

In addition to the above deposits from the Revenue Fund, there shall also be deposited in the Reserve Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the System, and the cash proceeds of any surplus, worn out or obsolescent properties of the System, if the same be sold upon order of the Commission. Fees levied and collected by the Commission of the District for the privilege of connecting to the System shall, unless otherwise directed by the Commission of the District, be paid, as received, into the Depreciation Fund. The term "cash revenues" of the System, as used in this Section 7, means all proceeds of water service rates and charges, and does not include the other cash items enumerated in this paragraph.

The Depreciation Fund shall be available and may be withdrawn and used by the District, upon appropriate certification as to the authorization for such withdrawal, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the Annual Budget of Current Expenses, and the cost of constructing additions and improvements to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. The Depreciation Fund shall also be available for transfer to the Sinking Fund in order to avoid default in connection with any bonds payable from the Sinking Fund.

At any time when the accumulations in the Depreciation Fund shall exceed anticipated and foreseeable needs for authorized purposes, all or any portion of such excess may be invested and reinvested upon order of the Commission in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing or subject to redemption at the option of the holder not later than three (3) years after the date of investment; but as and when funds may be required for authorized purposes a sufficient portion thereof shall be converted into cash and so applied. All investments of money in the Depreciation Fund shall be carried to the credit of the Depreciation Fund; all income from investments and any profit from the sale thereof shall be credited thereto; and any expenses incident to investment or reinvestment, together with any loss from forced conversion of investments into cash, shall be charged thereto.

(D) A separate and special fund or account of the District was heretofore created, distinct and apart from all other funds and accounts of the District, and is designated and identified as the "Western Lewis-Rectorville Water District Operation and Maintenance Fund" (the

"Operation and Maintenance Fund"), which Fund is hereby continued and shall continue to be maintained for the benefit of the System and all bonds payable from the income and revenues of the System. The District covenants that it will transfer monthly from the funds in the Revenue Fund, after making the transfers required by (A) and (B) of this Section 7 (which are cumulative), to the Operation and Maintenance Fund sums sufficient to pay as they accrue the Current Expenses of operating and maintaining the System pursuant to the Annual Budget, for which provision is hereafter made, and to accrue an operation and maintenance reserve not in excess of anticipated requirements for a two-month period pursuant to the Annual Budget.

(E) Subject to the provisions of subparagraphs (A), (B) and (C) of this Section 7, which are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred within sixty (60) days after the end of each fiscal year the balance of excess funds in the Revenue Fund on such date to (i) the Sinking Fund to be used in redeeming outstanding bonds payable from the Sinking Fund in inverse numerical or maturity order or purchasing such outstanding bonds at a price not to exceed the price at which such bonds may be redeemed on the next succeeding redemption date; provided, however, that notwithstanding the provisions hereof, the District reserves the right to redeem bonds which are redeemable without redemption premium prior to redeeming bonds which are only redeemable upon the payment of redemption premium, or (ii) the Depreciation Fund.

* * * * *

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

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

SECTION 8

COVENANTS TO BONDHOLDERS

The District hereby irrevocably covenants and agrees with the holder or holders of any and all 2007 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

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

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

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 2007 Bonds are outstanding, it will not sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 2007 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 2007 Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 1988, 1996, 2001 or 2007 Bonds in accordance with the provisions governing prepayment of said bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 2007 Bonds herein authorized, without the written consent and approval of USDA.

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

On or before the date of issuance of the 2007 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 2007

Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation and payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the said sinking funds during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

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

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized

accounting practices, and will promptly cause a copy of the Audit Report to be filed in the office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 2007 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 2007 Bonds herein authorized; the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 2007 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 2007 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

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

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person

and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workers' Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 2007 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 2007 Bonds authorized 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 revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 2007 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 2007 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of constructing the Project, together with incidental expenses, shall exceed the cost upon which the dollar amount of 2007 Bonds herein authorized has been computed, it shall pay the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through the issuance of parity bonds, provided that it has obtained (i) the consent of USDA, and (ii) if any 2007 Bonds are owned by persons other than USDA, the consent of the holders of two-thirds in principal amount of the outstanding 2007 Bonds so held.

(B) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 2007 Bonds, provided in each instance that:

- (i) the facility or facilities to be built 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 2007 Bonds and parity bonds, if any;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all 2007 Bonds and parity bonds, if any, then outstanding; and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding 2007 Bonds and on the additional bonds then to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer or firm of such engineers and shall be forecast over a period not exceeding five (5) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) immediately above and this subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding 2007 Bonds and parity bonds, if any.

(C) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;

- (ii) adjust and increase appropriately the monthly amount to be deposited into the Depreciation Fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and
- (iii) make such additional bonds payable as to principal on November 1 of each year in which principal falls due and payable as to interest on May 1 and November 1 of each year.

(D) The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 2007 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 2007 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 2007 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 2007 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized 2007 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 2007 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 2007 Bonds, no change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 2007 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 2007 Bonds deposited in the Construction Fund

for the payment of the costs of the Project will be made promptly in order that the Project will be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 2007 Bonds that so long as any of the 2007 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 2007 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 2007 Bonds or from any other sources, will not be invested or used in a manner which will cause the 2007 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code and the Income Tax Regulations issued thereunder, over the terms of the Bonds (i) less than 10% of the proceeds of the 2007 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 2007 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payments (whether or not to the District) in respect of such property; (ii) at least 90% of the proceeds of the 2007 Bonds will be applied for a governmental use of the District; (iii) any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 2007 Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the 2007 Bonds (a) the Project will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity, (b) no nongovernmental person will have any special legal entitlement to use the Project, and (c) there will be no direct or indirect payments made with respect to the Project or the security of the 2007 Bonds by any persons or entities other than payments by the general public as described in clause (a) above.

(B) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 2007 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 2007 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the 2007 Bonds will be used for expenditures on the Project within six months, at

least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the 2007 Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 2007 Bonds, the District will take all action necessary to comply therewith.

(C) It is reasonably expected that during the term of the 2007 Bonds the Project will not be disposed of, provided, however, should there be any disposition of any personal property constituting a part of the Project because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its cost.

(D) The weighted average maturity of the 2007 Bonds does not exceed 120% of the weighted average useful life of the facilities comprising the Project.

(E) The District has not heretofore expended any sums on the Project which are to be reimbursed from the proceeds of the 2007 Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the 2007 Bond proceeds, (b) expenditures made within 60 days prior to the date of adoption of this Resolution, and (c) expenditures prior to which the District had adopted an official intent resolution regarding reimbursement from tax-exempt bond proceeds.

(F) The 2007 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

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

(H) The District will not use or permit the use of any of the funds provided by the 2007 Bonds in such manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the 2007 Bonds. The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the 2007 Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

(I) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 12

SEVERABILITY CLAUSE

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

SECTION 13

REPEAL OF INCONSISTENT PROVISIONS

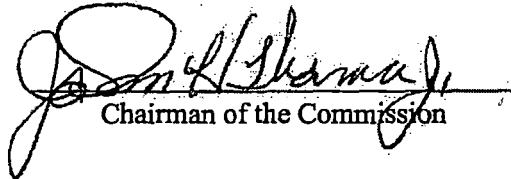
All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

SECTION 14

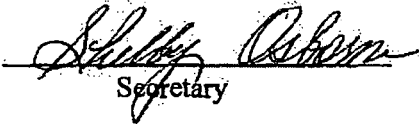
WHEN RESOLUTION EFFECTIVE

This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, at a meeting held on the 12th day of June, 2007, on the same occasion signed in open session by the Chairman, attested by the Secretary and declared to be in full force and effect.


Chairman of the Commission

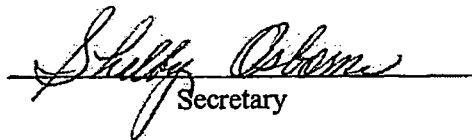
Attest:


Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of Western Lewis-Rectorville Water District, Lewis and Mason Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of the District at a properly convened meeting of the Commission of the District held on the 12th day of June, 2007, signed by the Chairman and attested by me as Secretary, as shown by the official records in my custody and under my control.

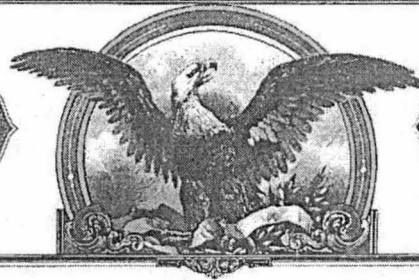
WITNESS my hand this 12 day of June, 2007.


Secretary

R-1

333,000

333,000



UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS

WESTERN LEWIS-RECTORVILLE WATER DISTRICT

WATER AND GAS SYSTEM REVENUE BOND, SERIES 2001

KNOW ALL MEN BY THESE PRESENTS: That **WESTERN LEWIS-RECTORVILLE WATER DISTRICT** (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

THREE HUNDRED THIRTY-THREE THOUSAND DOLLARS (\$333,000)

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

Year	Principal	Year	Principal	Year	Principal
2004	\$3,500	2017	\$ 6,000	2030	\$11,000
2005	3,500	2018	6,500	2031	11,500
2006	4,000	2019	6,500	2032	12,000
2007	4,000	2020	7,000	2033	12,500
2008	4,000	2021	7,500	2034	13,000
2009	4,500	2022	7,500	2035	13,500
2010	4,500	2023	8,000	2036	14,000
2011	4,500	2024	8,500	2037	15,000
2012	5,000	2025	8,500	2038	15,500
2013	5,000	2026	9,000	2039	16,000
2014	5,500	2027	9,500	2040	17,000
2015	5,500	2028	10,000	2041	17,500
2016	6,000	2029	10,500		

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of four and five tenths percent (4.5%) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the principal amount of \$333,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs to the extent not otherwise provided to be paid of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of the Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest

Sinking Fund." The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds and 1996 Series A and B Bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenue therefrom sufficient to pay promptly the interest on and principal of this issue of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2011, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of Five Hundred Dollars (\$500) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky. IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond to exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of the Bond, which is **March 13, 2002.**

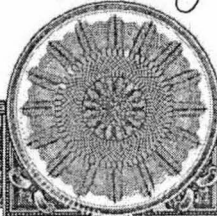
Attest:

Shelby G. Osborn
Secretary

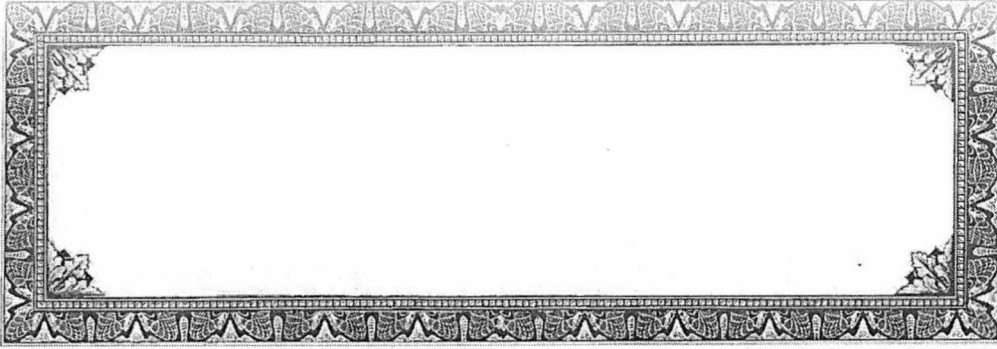
By:

James H. Kishanowicz
Chairman of the Commission

WESTERN LEWIS-RECTORVILLE WATER DISTRICT



91-09



R-1

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS

**WESTERN LEWIS-RECTORYVILLE
WATER DISTRICT**

333,000

REGISTERED

4.50%
WATER AND GAS SYSTEM
REVENUE BOND,
SERIES 2001

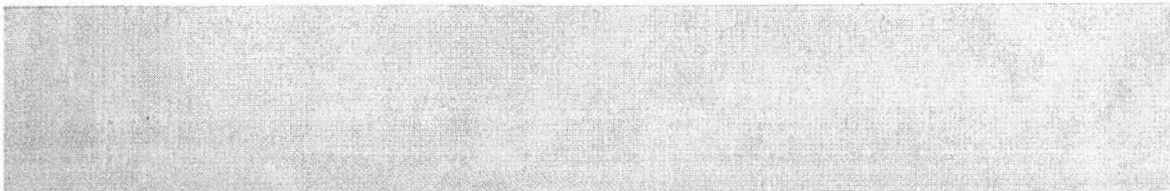
INTEREST PAYABLE
SEMIANNUALLY ON
MAY 1 and NOVEMBER 1

PRINCIPAL AND INTEREST PAYABLE
AS SPECIFIED HEREIN

PROVISION FOR REGISTRATION

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

Date of Registration	Name and Address of Registered Holder	Signature of Water District's Bond Registrar
March 13, 2002	United States of America, Department of Agriculture, State Office, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503	<i>Shelby G. Johnson</i>



91.09

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, SERIES 2001, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

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A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, SERIES 2001, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

WHEREAS, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), the Western Lewis-Rectorville Water District (the "District"), Lewis and Mason Counties, Kentucky, has been created and organized as a public body corporate and a statutory water district with all powers and authority as provided in KRS Chapter 74; and the District is at this time a de jure water district situated wholly in Lewis and Mason Counties, Kentucky; and

WHEREAS, by Ordinance of the Commission of the District adopted on November 3, 1961 (the "1961 Ordinance"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, dated November 1, 1961 (the "1961 Bonds"), for the purpose of providing funds for the construction of a water and gas distribution system (the "System") to serve the area of the District, a portion of which 1961 Bonds are currently outstanding; and

WHEREAS, it is provided in and by the 1961 Ordinance that the District may issue additional bonds or other obligations in order to pay the costs of additions, improvements and extensions to the System without any proof of previous earnings or net revenues, provided that such additional bonds or other obligations are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the 1961 Bonds; and

WHEREAS, pursuant to the above cited provisions the District authorized, by Resolution of September 10, 1988 (the "1988 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1988 Series A and B, in the aggregate amount of \$280,000, dated March 23, 1989 (the "1988 Bonds"), subject to the priorities, liens and rights of the 1961 Bonds, for the purpose of adding new water line additions and extensions, a portion of which 1988 Bonds are currently outstanding; and

WHEREAS, it was provided in and by the 1988 Resolution, that the District may issue additional bonds ranking on a basis of parity and equality with the 1988 Bonds, and pursuant to the above cited provisions the District authorized, by Resolution of May 17, 1996 (the "1996 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1996 Series A and B, in the aggregate amount of \$1,721,000, dated November 12, 1996 (the "1996 Bonds"), subject to the priorities, liens and rights of the 1961 Bonds; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the Bonds herein authorized) the right and authority to acquire, construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the acquisition, construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the aforesaid project will be \$1,719,600, and to provide such funds the District has received from the Rural Economic and Community Development Service of the United States Department of Agriculture ("USDA") an offer to make a USDA loan to the District in the amount of \$333,000, which will be supplemented by a grant from USDA in the amount of \$333,000, an ARC grant of \$350,000, an HUD-CDBG Grant in the amount of \$673,600, and available funds of the District in the amount of \$30,000; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$333,000 through issuance and sale of its Water and Gas System Revenue Bonds, Series 2001 (the "2001 Bonds"), according to authority of Kentucky Revised Statutes ("KRS") Chapters 58 and 74, the provisions of the 1961 Ordinance permitting the issuance of subordinate bonds or other obligations and the provisions of the 1988 Resolution and 1996 Resolution permitting the issuance of parity bonds; and the 2001 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky, provided that, as aforesaid, the 2001 Bonds shall be subject to the prior and superior pledges, liens and rights of the outstanding 1961 Bonds;

NOW, THEREFORE, THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS;
AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the acquisition, construction and installation of major additions and extensions to the District's water distribution facilities (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky (the "Engineers"). Immediate undertaking of such acquisition, construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The acquisition, construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's municipal combined water and gas distribution system (the "System," as expanded and improved by the Project), and so long as any of the 2001 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District on a combined and consolidated basis for the security and source of payment of the 2001 Bonds hereinafter authorized to be issued, and all other parity bonds outstanding and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be acquired, constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 58, now in full force and effect. The System, as expanded from time to time, and including the Project, is hereby declared to be a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

SECTION 3

ACKNOWLEDGMENT OF OUTSTANDING 1961 BONDS
AND PRIOR SECURITIES THEREOF;
2001 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

The District acknowledges that it has previously issued or incurred, and that there are outstanding at this time, the 1961 Bonds, as identified and described in the preamble hereof, and further that the 2001 Bonds herein authorized to be issued shall be subordinate and inferior as to security and source of payment to the outstanding 1961 Bonds so long as same are outstanding and unpaid. It is acknowledged and affirmed by the District that said outstanding 1961 Bonds possess prior and superior liens and rights with respect to the System and its income and revenues, and nothing in this Resolution shall be construed as impairing, amending or in any way diminishing said security rights, liens and interests. In this connection, the provisions of the 1961 Ordinance are hereby reaffirmed. The District hereby agrees and covenants that so long as the 2001 Bonds herein authorized are outstanding, it will not issue any bonds ranking on a parity with said outstanding 1961 Bonds.

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 2001 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water and Gas System Revenue Bonds, Series 2001, in the aggregate principal amount of \$333,000 (the "2001 Bonds").

The 2001 Bonds shall be dated as of the date of their original delivery and shall be issuable as a single fully registered bond without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 2001 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 2001 Bonds shall mature as to principal in installments on November 1 in each of the years 2004 to 2041, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on May 1 and November 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 2001 Bonds as hereinafter provided. The installments of principal of the 2001 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedule:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2004	\$ 3,500	2017	\$ 6,000	2030	\$ 11,000
2005	3,500	2018	6,500	2031	11,500
2006	4,000	2019	6,500	2032	12,000
2007	4,000	2020	7,000	2033	12,500
2008	4,000	2021	7,500	2034	13,000
2009	4,500	2022	7,500	2035	13,500
2010	4,500	2023	8,000	2036	14,000
2011	4,500	2024	8,500	2037	15,000
2012	5,000	2025	8,500	2038	15,500
2013	5,000	2026	9,000	2039	16,000
2014	5,500	2027	9,500	2040	17,000
2015	5,500	2028	10,000	2041	17,500
2016	6,000	2029	10,500		

provided, however, that installments of principal of the 2001 Bonds maturing on and after November 1, 2012, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after November 1, 2011, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 2001 Bonds; provided, that so long as USDA is the owner of any of the 2001 Bonds, the same may be prepaid in whole or in part at any time, at par plus accrued interest, and without notice or prepayment premium. The 2001 Bonds may be prepaid only in increments of \$500.

Both principal of and interest on the 2001 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 2001 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 2001 Bond. The 2001 Bonds, together with the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the "Water and Gas System Revenue Bonds, 2001 Bond and Interest Sinking Fund," 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 revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

The District finds and declares that the 2001 Bonds herein authorized to be issued shall rank on a basis of parity and equality as to security and source of payment with the outstanding 1988 Bonds and 1996 Bonds, as previously defined, inasmuch as the District is in compliance with all covenants and undertakings in connection with its 1988 and 1996 Bonds, has obtained the waiver and consent of USDA, as the holder of the 1988 and 1996 Bonds, to the issuance of the parity 2001 Bonds herein authorized, and is otherwise in compliance with the parity bond terms and conditions of the 1988 Resolution.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 2001 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lewis County Herald, a legal newspaper published in Vanceburg,

Lewis County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; (b) the Ledger Independent, a legal newspaper published in Maysville, Mason County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (c) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 2001 Bonds to be sold, the time of the sale and other details concerning the 2001 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 2001 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, *inter alia*, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 2001 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 2001 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 2001 Bonds.

(B) The single interest rate must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 2001 Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 2001 Bonds, which good faith deposit may be applied as partial payment for the 2001 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 2001 Bonds, computed from the first day of the month following the date of sale of the 2001 Bonds (even though the 2001 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 2001 Bonds at the office of the District within 45 days after the date of sale thereof. If the 2001 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 2001 Bonds, except that 2001 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 2001 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 2001 Bonds, without additional cost to the successful bidder.

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

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 2001 Bonds.

SECTION 5

2001 BONDS TO BE ISSUED IN FULLY REGISTERED FORM: FULLY REGISTERED BOND FORM

Upon the sale of the 2001 Bonds, the District shall issue a single fully registered 2001 Bond numbered R-1 (hereinafter referred to as the "Fully Registered Bond"). The Fully Registered Bond shall be in the aggregate principal amount of \$333,000, maturing as to principal in installments as set out in Section 3 hereof. The Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. The Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 2001 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. The Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon the transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on such Fully Registered Bond and deliver a Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums

so paid. The face amount of the Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

The Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS
WESTERN LEWIS-RECTORVILLE WATER DISTRICT
WATER AND GAS SYSTEM REVENUE BOND, SERIES 2001

No. R-1 \$ _____

KNOW ALL MEN BY THESE PRESENTS:

That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____ DOLLARS (\$ _____) on the first day of November in years and installments as follows:

Year Principal Year Principal Year Principal

(Here insert the principal maturities of the 2001 Bonds)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (____%) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the principal amount of \$333,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying

the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund"; provided however, the District has outstanding certain of its Water and Gas Revenue Bonds dated November 1, 1961 (the "1961 Bonds"), which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents; and so long as any of the 1961 Bonds are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing the 1961 Bonds, and it is acknowledged that this Bond and the issue which it represents are subject to the prior pledges, liens and rights securing the 1961 Bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds and 1996 Series A and B Bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements of the ordinance authorizing the 1961 Bonds, to pay promptly the interest on and principal of this issue of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2011, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of Five Hundred Dollars (\$500) as the District may determine, at a price in an amount

equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from *ad valorem* taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

WESTERN LEWIS-RECTORVILLE
WATER DISTRICT

By _____
Chairman of the Commission

ATTEST:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Signature of the Water District's Bond Registrar</u>
	United States of America Department of Agriculture State Office 771 Corporate Dr., Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the 2001 Bonds)

SECTION 6

DISPOSITION OF 2001 BOND PROCEEDS: CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in the bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 2001 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 2001 Bonds shall be applied as follows:

Upon the issuance and delivery of the 2001 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Western Lewis-Rectorville Water District 2001 Construction Fund" (the "Construction Fund") created by separate interim financing Resolution of the Commission of the District adopted concurrently herewith. Said 2001 Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 2001 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 2001 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund. There shall also be deposited in the Construction Fund, as received, the proceeds of all grants in aid of construction of the Project (as specified in the conditions of the USDA loan to the District), unless said sums, or any portions thereof, have already been expended for authorized Project purposes.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 2001 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 2001 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman and Secretary and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 2001 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Sinking Fund and shall be used at the earliest practicable date for the retirement of 2001 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 2001 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 2001 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 2001 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

All proceedings preliminary to and in connection with the issuance of the 1961 Bonds, particularly the 1961 Ordinance, whereby provision was made for the operation of the System on a revenue-producing basis, for the segregation, allocation and custody of revenues derived from the operation of the System, and for the enforcement and payment of the 1961 Bonds, are hereby ratified and confirmed and shall continue in full force and effect, the same as if such provisions and proceedings were herein set out in full, and nothing herein shall be construed as altering, revising or amending said contractual relationships; and so long as the 1961 Bonds remain outstanding and unpaid, the District shall maintain all funds required to be maintained and created by the terms of the 1961 Ordinance.

Consistent with the foregoing, it is hereby resolved and provided that from and after issuance and delivery of the 2001 Bonds herein authorized, and so long as any of the 2001 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis, and on that basis the cash income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1961 Ordinance identified as the "Western Lewis-Rectorville Water District Revenue Fund" (the "Revenue Fund"), which shall be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall be allocated to the respective accounts as set out in the 1961 Ordinance and shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the 1961 Ordinance. After making from the Revenue Fund the separate account allocations and all disbursements and payments required to be made in fulfillment of the contractual commitments made in connection with the 1961 Bonds (as provided in the 1961 Ordinance), the moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District was created to be deposited and maintained in the Depository Bank, distinct and apart from all other funds and accounts, designated and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund" (the "Sinking Fund"), which shall continue to be maintained so long as any of the 2001 Bonds herein authorized or parity bonds are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the 1988, 1996 and 2001 Bonds and any parity bonds which may be issued and outstanding from time to time pursuant to the provisions of this Resolution.

Following delivery of and payment for the 2001 Bonds herein authorized, there shall be transferred on or before the 20th day of each month from the Revenue Fund (having due regard to the priorities in connection with the outstanding 1961 Bonds) to the Sinking Fund, in addition to the

principal and interest requirements of the 1988 Bonds and 1996 Bonds according to the 1988 Resolution, not less than the following amounts:

- (i) beginning with and including the month in which interest shall last be payable from all 2001 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 2001 Bonds then outstanding; and
- (ii) beginning on November 20, 2003, a sum equal to one-twelfth (1/12) of the principal of all 2001 Bonds maturing on the next succeeding November 1.

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

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than five (5) years from the date the investment is made, or the final maturity date of 2001 Bonds or parity bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

* * * * *

The District has previously, by the 1961 Ordinance, created special funds for purposes of the 1961 Bonds and the System, identified as the "Water and Gas Bond and Interest Sinking Fund" (including the debt service reserve therein), the "Depreciation Fund" and the "Operation and Maintenance Fund." All provisions relating to said identified special funds are hereby ratified, readopted and affirmed; said Funds shall continue to be maintained according to the resolutions establishing same; and so long as the 2001 Bonds herein authorized are outstanding, the Revenue Fund and the aforesaid Depreciation Fund and Operation and Maintenance Fund created by the 1961 Ordinance shall continue in effect, with the District making such monthly transfers to said Depreciation and Operation and Maintenance Funds from the Revenue Fund as are required by the terms of the 1961 Ordinance; provided that the monthly payments into the Depreciation Fund from the Revenue Fund with respect to the 2001 Bonds (in addition to such payments required for the 1961, 1988 and 1996 Bonds) shall be at least \$155.

SECTION 8

COVENANTS TO BONDHOLDERS

In addition to and not in derogation of the covenants contained in the 1961 Ordinance in favor of the holders of the 1961 Bonds, the District hereby irrevocably covenants and agrees with the holder

or holders of any and all 2001 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

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

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

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 2001 Bonds are outstanding, it will not (subject to the pre-existing rights of the holders of the 1961 Bonds) sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and in the 1961 Ordinance, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 2001 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 2001 Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 1961 Bonds and then 1988, 1996 and 2001 Bonds in accordance with the provisions governing prepayment of said Bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 2001 Bonds herein authorized, without the written consent and approval of USDA.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all outstanding bonds as aforesaid and the accruing interest thereon, and the accumulation of

reserves as herein provided; and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the date of issuance of the 2001 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 2001 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into all sinking funds established for the 1961 Bonds. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the said sinking funds during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

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

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent

state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 2001 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 2001 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 2001 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 2001 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District (but not in derogation of any of the prior rights and security interests created in connection with the 1961 Bonds), with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

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

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient

to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workmen's Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 2001 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED: TERMS

The 2001 Bonds authorized 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 revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 2001 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 2001 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of constructing the Project, together with incidental expenses, shall exceed the cost upon which the dollar amount of 2001 Bonds herein authorized has been computed, it shall pay the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through

the issuance of parity bonds, provided that it has obtained (i) the consent of USDA, and (ii) if any 2001 Bonds are owned by persons other than USDA, the consent of the holders of two-thirds in principal amount of the outstanding 2001 Bonds so held.

(B) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 2001 Bonds, provided in each instance that:

- (i) the facility or facilities to be built 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 2001 Bonds and parity bonds, if any;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all 2001 Bonds and parity bonds, if any, then outstanding; and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding 2001 Bonds and on the additional bonds then to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer or firm of such engineers and shall be forecast over a period not exceeding five (5) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) immediately above and this subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding 2001 Bonds and parity bonds, if any.

(C) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;

- (ii) adjust and increase appropriately the monthly amount to be deposited into the Depreciation Fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and
- (iii) make such additional bonds payable as to principal on November 1 of each year in which principal falls due and payable as to interest on May 1 and November 1 of each year.

(D) The additional parity bonds (sometimes herein referred to as “permitted” to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 2001 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 2001 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 2001 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 2001 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized 2001 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 2001 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 2001 Bonds, no change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 2001 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 2001 Bonds deposited in the Construction Fund for the payment of the costs of the Project will be made promptly in order that the Project will be

completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 2001 Bonds that so long as any of the 2001 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 2001 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 2001 Bonds or from any other sources, will not be invested or used in a manner which will cause the 2001 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code and the Income Tax Regulations issued thereunder, over the terms of the Bonds (i) less than 10% of the proceeds of the 2001 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 2001 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payments (whether or not to the District) in respect of such property; (ii) at least 90% of the proceeds of the 2001 Bonds will be applied for a governmental use of the District; (iii) any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 2001 Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the 2001 Bonds (a) the Project will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity, (b) no nongovernmental person will have any special legal entitlement to use the Project, and (c) there will be no direct or indirect payments made with respect to the Project or the security of the 2001 Bonds by any persons or entities other than payments by the general public as described in clause (a) above.

(B) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 2001 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 2001 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the Bonds will be used for expenditures on the Project within six months, at least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the 2001 Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 2001 Bonds, the District will take all action necessary to comply therewith.

(C) It is reasonably expected that during the term of the 2001 Bonds the Project will not be disposed of, provided, however, should there be any disposition of any personal property constituting a part of the Project because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its cost.

(D) The weighted average maturity of the 2001 Bonds does not exceed 120% of the weighted average useful life of the facilities comprising the Project.

(E) The District has not heretofore expended any sums on the Project which are to be reimbursed from the proceeds of the 2001 Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the 2001 Bond proceeds, (b) expenditures made within 60 days prior to the date of adoption of this Resolution, and (c) expenditures prior to which the District had adopted an official intent resolution regarding reimbursement from tax-exempt bond proceeds.

(F) The 2001 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

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

(H) The District will not use or permit the use of any of the funds provided by the 2001 Bonds in such manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the 2001 Bonds. The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the 2001 Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

(I) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 12

SEVERABILITY CLAUSE

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

SECTION 13

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

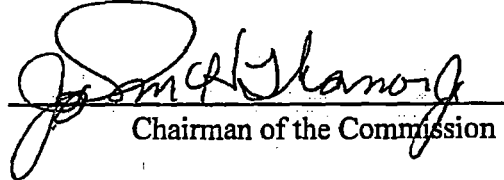
SECTION 14

WHEN RESOLUTION EFFECTIVE

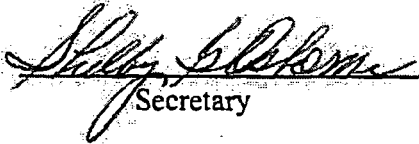
This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, at a meeting held on the 13th day of August, 2001, on the same occasion signed in open session by the Chairman, attested under seal by the Secretary, and declared to be in full force and effect.

(SEAL)


Chairman of the Commission

ATTEST:


Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of Western Lewis-Rectorville Water District, Lewis and Mason Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Secretary upon the occasion of a properly convened meeting of the Commission of said District held on the 13th day of August, 2001, as shown by the official records in my custody and under my control.

WITNESS my hand this 13th day of August, 2001.


Secretary

NUMBER
R-A-1

971,000

971,000

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS

**WESTERN LEWIS-RECTORVILLE WATER DISTRICT
WATER AND GAS SYSTEM REVENUE BOND, 1996 SERIES A**

KNOW ALL MEN BY THESE PRESENTS: That **WESTERN LEWIS-RECTORVILLE WATER DISTRICT** (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

NINE HUNDRED SEVENTY-ONE THOUSAND DOLLARS (\$971,000)

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

Year	Principal	Year	Principal	Year	Principal
1999	\$ 9,000	2012	\$17,000	2025	\$32,000
2000	9,000	2013	18,000	2026	33,000
2001	10,000	2014	19,000	2027	35,000
2002	10,000	2015	19,000	2028	37,000
2003	11,000	2016	21,000	2029	39,000
2004	11,000	2017	21,000	2030	41,000
2005	12,000	2018	23,000	2031	43,000
2006	13,000	2019	24,000	2032	45,000
2007	13,000	2020	25,000	2033	48,000
2008	14,000	2021	26,000	2034	51,000
2009	15,000	2022	28,000	2035	53,000
2010	15,000	2023	29,000	2036	56,000
2011	16,000	2024	30,000		

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of four and one-half percent (4 1/2%) per annum, semiannually on the first days of May and November in each year hereafter until said sum be paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District, or so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds designated Series A in the principal amount of \$971,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with the separate series of parity bonds, hereinafter referred to, issued simultaneously herewith and such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1996 Bond and Interest Sinking Fund"; provided however, the District has outstanding certain of its Water and Gas Revenue Bonds dated November 1, 1961 (the "1961 Bonds"), which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents and so long as any of the 1961 Bonds are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing the 1961 Bonds, and it is

acknowledged that this Bond and the issue which it represents are subject to the prior pledges, liens and rights securing the 1961 Bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1968 Series A and B Bonds. The Bonds of this series rank on a basis of parity and equality with certain identically styled bonds designated 1996 Series B and issued simultaneously with the Bonds of this series pursuant to said Bond-authorizing Resolution.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay the Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements of the ordinance authorizing the 1961 Bonds, to pay promptly the interest on and principal of this series of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2008, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of One Thousand Dollars (\$1,000) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is

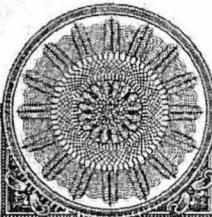
November 12, 1996

ATTEST:

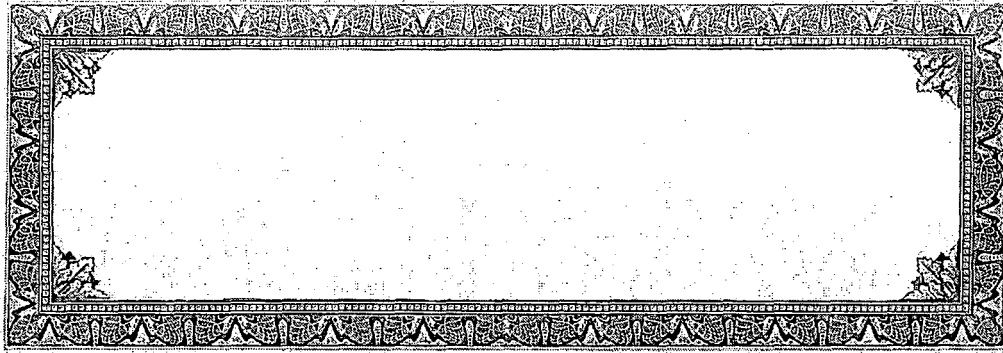
Shelby Johnson
Secretary

WESTERN LEWIS-RECTORVILLE
WATER DISTRICT

Paul W. Lambert
Chairman of the Commission




91-04



R-A-1

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS

**WESTERN LEWIS-RECTORVILLE
WATER DISTRICT**



REGISTERED
4 1/2%
WATER AND GAS SYSTEM
REVENUE BOND,
1986 SERIES A

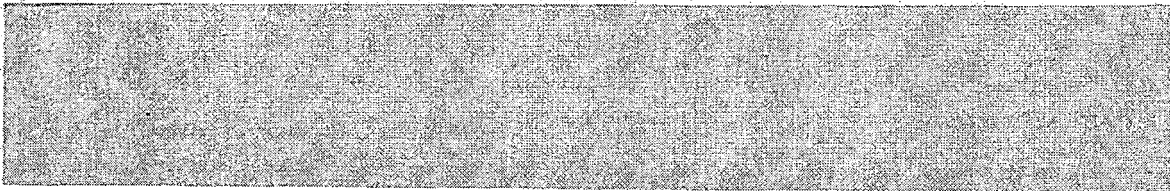
INTEREST PAYABLE
SEMIANNUALLY ON
MAY 1 and NOVEMBER 1

PRINCIPAL AND INTEREST PAYABLE
AS SPECIFIED HEREIN

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Holder	Signature of the Water District's Bond Registrar
November 12, 1996	United States of America, Department of Agriculture State Office, 771 Corporate Drive, Suite 206, Lexington, Kentucky 40503	<i>[Handwritten Signature]</i>



NUMBER
R-B-1

750,000

750,000

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS

WESTERN LEWIS-RECTORVILLE WATER DISTRICT WATER AND GAS SYSTEM REVENUE BOND, 1996 SERIES B

KNOW ALL MEN BY THESE PRESENTS: That WESTERN LEWIS-RECTORVILLE WATER DISTRICT (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

SEVEN HUNDRED FIFTY THOUSAND DOLLARS (\$750,000)

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

Year	Principal	Year	Principal	Year	Principal
1999	\$ 8,000	2012	\$14,000	2025	\$24,000
2000	8,000	2013	14,000	2026	26,000
2001	9,000	2014	15,000	2027	27,000
2002	9,000	2015	16,000	2028	28,000
2003	9,000	2016	16,000	2029	29,000
2004	10,000	2017	18,000	2030	31,000
2005	10,000	2018	18,000	2031	32,000
2006	11,000	2019	18,000	2032	33,000
2007	11,000	2020	20,000	2033	36,000
2008	12,000	2021	20,000	2034	36,000
2009	12,000	2022	22,000	2035	38,000
2010	13,000	2023	22,000	2036	38,000
2011	13,000	2024	24,000		

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of four and one-half percent (4 1/2%) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds designated Series B in the principal amount of \$750,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with the separate series of parity bonds, hereinafter referred to, issued simultaneously herewith and such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1968 Bond and Interest Sinking Fund"; provided however, the District has outstanding certain of its Water and Gas Revenue Bonds dated November 1, 1961 (the "1961 Bonds"), which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents and so long as any of the 1961 Bonds are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing the 1961 Bonds, and it is

acknowledged that this Bond and the issue which it represents are subject to the prior pledges, liens and rights securing the 1961 Bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1968 Series A and B Bonds. The Bonds of this series rank on a basis of parity and equality with certain identically styled bonds designated 1996 Series A and issued simultaneously with the Bonds of this series pursuant to said Bond-authorizing Resolution.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements of the ordinance authorizing the 1961 Bonds, to pay promptly the interest on and principal of this series of 1961 Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2006, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of One Thousand Dollars (\$1,000) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is

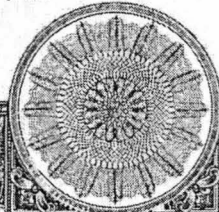
November 12, 1996

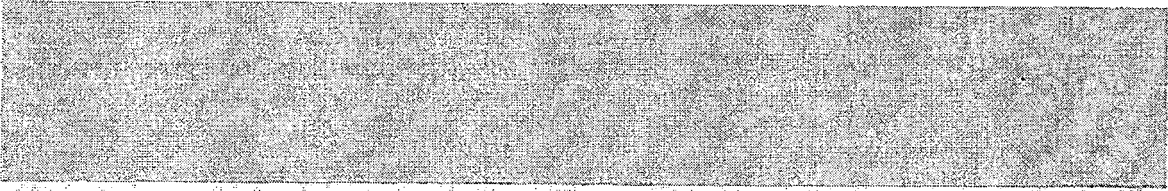
ATTEST:

Shelby G. Osborne
Secretary

WESTERN LEWIS-RECTORVILLE
WATER DISTRICT

Paul D. Vandrofski
Chairman of the Commission






November 12, 1996	United States of America, Department of Agriculture Spec. Office, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503	<i>[Signature]</i> Signatory of the Water District Bond Register

This Bond that be registered on the books of the Western Lewis-Hazardville Water District kept for that purpose by the Secretary, as Bond Register, upon presentation hereof to the Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered holder or his attorney, such transfer to be made on said books and endorsed hereon.

PROVISION FOR REGISTRATION

R-B-1

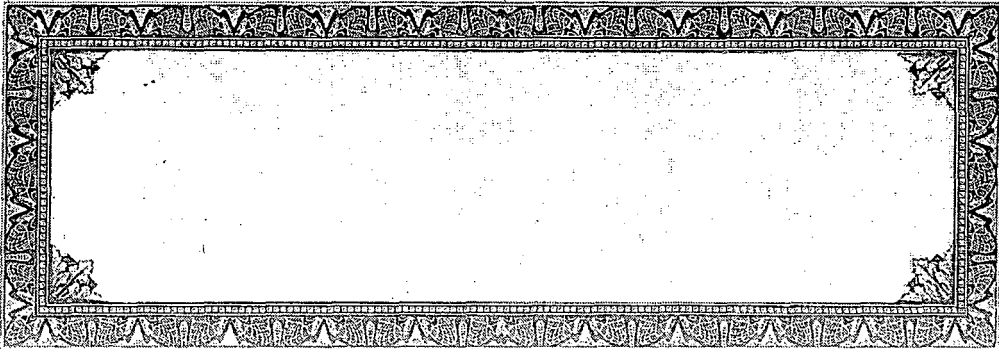


REGISTERED
4 1/2%
**WATER AND GAS SYSTEM
 REVENUE BOND,
 1986 SERIES B**

**INTEREST PAYABLE
 SEMIANNUALLY ON
 MAY 1 and NOVEMBER 1
 PRINCIPAL AND INTEREST PAYABLE
 AS SPECIFIED HEREIN**

**WESTERN LEWIS-RECTORVILLE
 WATER DISTRICT**

**UNITED STATES OF AMERICA
 COMMONWEALTH OF KENTUCKY
 COUNTIES OF MASON AND LEWIS**



91-04
91-07

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, 1996 SERIES A AND B, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

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A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, 1996 SERIES A AND B, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

WHEREAS, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), the Western Lewis-Rectorville Water District (the "District"), Lewis and Mason Counties, Kentucky, has been created and organized as a public body corporate and a statutory water district with all powers and authority as provided in KRS Chapter 74; and the District is at this time a de jure water district situated wholly in Lewis and Mason Counties, Kentucky; and

WHEREAS, by Ordinance of the Commission of the District adopted on November 3, 1961 (the "1961 Ordinance"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, dated November 1, 1961 (the "1961 Bonds"), for the purpose of providing funds for the construction of a water and gas distribution system (the "System") to serve the area of the District, a portion of which 1961 Bonds are currently outstanding; and

WHEREAS, it is provided in and by the 1961 Ordinance that the District may issue additional bonds or other obligations in order to pay the costs of additions, improvements and extensions to the System without any proof of previous earnings or net revenues, provided that such additional bonds or other obligations are issued in express recognition of the priorities, liens

and rights created and existing for the security, source of payment and protection of the 1961 Bonds; and

WHEREAS, pursuant to the above cited provisions the District authorized, by Resolution of September 10, 1988 (the "1988 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1988 Series A and B, in the aggregate amount of \$280,000, dated March 23, 1989 (the "1988 Bonds"), subject to the priorities, liens and rights of the 1961 Bonds, for the purpose of adding new water line additions and extensions, a portion of which 1988 Bonds are currently outstanding; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the Bonds herein authorized) the right and authority to acquire, construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the acquisition, construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the aforesaid project will be \$2,898,300, and to provide such funds the District has received from the Rural Economic and Community Development Service of the United States Department of Agriculture ("USDA") an offer to make a USDA loan to the District in the amount of \$1,721,000, which will be supplemented by a grant from USDA in the amount of \$813,400, an ARC grant of \$225,000, a County contribution of \$70,000 and available funds of the District in the amount of \$68,900; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$1,721,000 through issuance and sale of its Water and Gas System Revenue Bonds, 1996 Series A and B (the "1996 Bonds"), according to authority of Kentucky Revised Statutes ("KRS") Chapters 58 and 74, the provisions of the 1961 Ordinance permitting the issuance of subordinate bonds or other obligations and the provisions of the 1988 Resolution permitting the issuance of parity bonds; and the 1996 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky, provided that, as aforesaid, the 1996 Bonds shall be subject to the prior and superior pledges, liens and rights of the outstanding 1961 Bonds;

NOW, THEREFORE, THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS: AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the acquisition, construction and installation of major additions and extensions to the District's water distribution facilities (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky (the "Engineers"). Immediate undertaking of such acquisition, construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The acquisition, construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's municipal combined water and gas distribution system (the "System," as expanded and improved by the Project), and so long as any of the 1996 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District on a combined and consolidated basis for the security and source of payment of the 1996 Bonds hereinafter authorized to be issued, and all other parity bonds outstanding and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be acquired, constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 58, now in full force and effect. The System, as expanded from time to time, and including the Project, is hereby declared to be a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

SECTION 3

ACKNOWLEDGMENT OF OUTSTANDING 1961 BONDS AND PRIOR SECURITIES THEREOF; 1996 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

The District acknowledges that it has previously issued or incurred, and that there are outstanding at this time, the 1961 Bonds, as identified and described in the preamble hereof, and further that the 1996 Bonds herein authorized to be issued shall be subordinate and inferior as to

security and source of payment to the outstanding 1961 Bonds so long as same are outstanding and unpaid. It is acknowledged and affirmed by the District that said outstanding 1961 Bonds possess prior and superior liens and rights with respect to the System and its income and revenues, and nothing in this Resolution shall be construed as impairing, amending or in any way diminishing said security rights, liens and interests. In this connection, the provisions of the 1961 Ordinance are hereby reaffirmed. The District hereby agrees and covenants that so long as the 1996 Bonds herein authorized are outstanding, it will not issue any bonds ranking on a parity with said outstanding 1961 Bonds.

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 1996 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water and Gas System Revenue Bonds, 1996 Series A and B, in the aggregate principal amount of \$1,721,000 (the "1996 Bonds").

The 1996 Bonds shall be dated as of the date of their original delivery and shall be issuable in two Series, 1996 Series A in the principal amount of \$971,000 and 1996 Series B in the principal amount of \$750,000, in each case as a single fully registered bond without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 1996 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 1996 Bonds shall mature as to principal in installments on November 1 in each of the years 1999 to 2036, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on May 1 and November 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 1996 Bonds as hereinafter provided. The installments of principal of each series of Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedules:

1996 Series A Maturity Schedule (\$971,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1999	\$9,000	2012	\$17,000	2025	\$32,000
2000	9,000	2013	18,000	2026	33,000
2001	10,000	2014	19,000	2027	35,000
2002	10,000	2015	19,000	2028	37,000
2003	11,000	2016	21,000	2029	39,000
2004	11,000	2017	21,000	2030	41,000
2005	12,000	2018	23,000	2031	43,000
2006	13,000	2019	24,000	2032	45,000
2007	13,000	2020	25,000	2033	48,000
2008	14,000	2021	26,000	2034	51,000
2009	15,000	2022	28,000	2035	53,000
2010	15,000	2023	29,000	2036	56,000
2011	16,000	2024	30,000		

1996 Series B Maturity Schedule (\$750,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1999	\$8,000	2012	\$14,000	2025	\$24,000
2000	8,000	2013	14,000	2026	26,000
2001	9,000	2014	15,000	2027	27,000
2002	9,000	2015	16,000	2028	28,000
2003	9,000	2016	16,000	2029	29,000
2004	10,000	2017	18,000	2030	31,000
2005	10,000	2018	18,000	2031	32,000
2006	11,000	2019	19,000	2032	33,000
2007	11,000	2020	20,000	2033	35,000
2008	12,000	2021	20,000	2034	36,000
2009	12,000	2022	22,000	2035	38,000
2010	13,000	2023	22,000	2036	38,000
2011	13,000	2024	24,000		

provided, however, that installments of principal of the 1996 Bonds shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after November 1, 2006, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 1996 Bonds; provided, that so long as USDA is the owner of any of the 1996 Bonds, the same may be prepaid in whole or in part at any time, at par plus accrued interest, and

without notice or prepayment premium. The 1996 Bonds may be prepaid only in increments of \$1,000.

Both principal of and interest on the 1996 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 1996 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 1996 Bond. The 1996 Bonds, together with the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the "Water and Gas System Revenue Bonds, 1996 Bond and Interest Sinking Fund," 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 revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

The District finds and declares that the 1996 Bonds herein authorized to be issued shall rank on a basis of parity and equality as to security and source of payment with the outstanding 1988 Bonds, as previously defined, inasmuch as the District is in compliance with all covenants and undertakings in connection with its 1988 Bonds, has obtained the waiver and consent of USDA, as the holder of the 1988 Bonds, to the issuance of the parity 1996 Bonds herein authorized, and is otherwise in compliance with the parity bond terms and conditions of the 1988 Resolution.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 1996 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lewis County Herald, a legal newspaper published in Vanceburg, Lewis County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; (b) the Ledger Independent, a legal newspaper published in Maysville, Mason County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (c) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 1996 Bonds to be sold, the time of the sale and other details concerning the 1996 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 1996 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, inter alia, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 1996 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 1996 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 1996 Bonds.

(B) The single interest rate for each series of Bonds must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 1996 Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 1996 Bonds, which good faith deposit may be applied as partial payment for the 1996 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 1996 Bonds, computed from the first day of the month following the date of sale of the 1996 Bonds (even though the 1996 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1996 Bonds at the office of the District within 45 days after the date of sale thereof. If the 1996 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 1996 Bonds, except that 1996 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 1996 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 1996 Bonds, without additional cost to the successful bidder.

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

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 1996 Bonds.

SECTION 5

1996 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 1996 Bonds, the District shall issue a single fully registered 1996 Bond numbered R-[A or B]-1 (hereinafter referred to as the "Fully Registered Bond") for each series of Bonds. Each Fully Registered Bond shall be in the aggregate principal amount of the series it represents, maturing as to principal in installments as set out in Section 3 hereof. Each Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. Each Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 1996 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. Each Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon the transfer of each Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on such Fully Registered Bond and deliver a Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded

as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of such Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

Each Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS
WESTERN LEWIS-RECTORVILLE WATER DISTRICT
WATER AND GAS SYSTEM REVENUE BOND, 1996 SERIES _____

No. R-__-1 \$ _____

KNOW ALL MEN BY THESE PRESENTS:

That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____ DOLLARS (\$ _____) on the first day of November in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here make appropriate insertions for Series A Bonds and Series B Bonds, respectively)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (____%) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment

may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds designated Series ____ in the principal amount of \$ _____ issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with the separate series of parity bonds, hereinafter referred to, issued simultaneously herewith and such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund"; provided however, the District has outstanding certain of its Water and Gas Revenue Bonds dated November 1, 1961 (the "1961 Bonds"), which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents; and so long as any of the 1961 Bonds are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing the 1961 Bonds, and it is acknowledged that this Bond and the issue which it represents are subject to the prior pledges, liens and rights securing the 1961 Bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds. The Bonds of this series rank on a basis of parity and equality with certain identically styled bonds designated 1996 Series ____ and issued simultaneously with the Bonds of this series pursuant to said Bond-authorizing Resolution.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements

of the ordinance authorizing the 1961 Bonds, to pay promptly the interest on and principal of this series of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2006, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of One Thousand Dollars (\$1,000) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the

Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

**WESTERN LEWIS-RECTORVILLE
WATER DISTRICT**

By _____
Chairman of the Commission

ATTEST:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Signature of the Water District's Bond Registrar</u>
	United States of America Department of Agriculture State Office 771 Corporate Dr., Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the 1996 Bonds)

SECTION 6

DISPOSITION OF 1996 BOND PROCEEDS: CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in the bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 1996 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 1996 Bonds shall be applied as follows:

Upon the issuance and delivery of the 1996 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Western Lewis-Rectorville Water District 1996 Construction Fund" (the "Construction Fund") created by separate interim financing Resolution of the Commission of the District adopted concurrently herewith. Said 1996 Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 1996 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 1996 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund. There shall also be deposited in the Construction Fund, as received, the proceeds of all grants in aid of construction of the Project (as specified in the conditions of the USDA loan to the District), unless said sums, or any portions thereof, have already been expended for authorized Project purposes.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 1996 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 1996 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman and Secretary and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 1996 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Sinking Fund and shall be used at the earliest practicable date for the retirement of 1996 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 1996 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 1996 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 1996 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

All proceedings preliminary to and in connection with the issuance of the 1961 Bonds, particularly the 1961 Ordinance, whereby provision was made for the operation of the System on a revenue-producing basis, for the segregation, allocation and custody of revenues derived from the operation of the System, and for the enforcement and payment of the 1961 Bonds, are hereby

ratified and confirmed and shall continue in full force and effect, the same as if such provisions and proceedings were herein set out in full, and nothing herein shall be construed as altering, revising or amending said contractual relationships; and so long as the 1961 Bonds remain outstanding and unpaid, the District shall maintain all funds required to be maintained and created by the terms of the 1961 Ordinance.

Consistent with the foregoing, it is hereby resolved and provided that from and after issuance and delivery of the 1996 Bonds herein authorized, and so long as any of the 1996 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis, and on that basis the cash income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1961 Ordinance identified as the "Western Lewis-Rectorville Water District Revenue Fund" (the "Revenue Fund"), which shall be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall be allocated to the respective accounts as set out in the 1961 Ordinance and shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the 1961 Ordinance. After making from the Revenue Fund the separate account allocations and all disbursements and payments required to be made in fulfillment of the contractual commitments made in connection with the 1961 Bonds (as provided in the 1961 Ordinance), the moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District was created to be deposited and maintained in the Depository Bank, distinct and apart from all other funds and accounts, designated and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund" (the "Sinking Fund"), which shall continue to be maintained so long as any of the 1996 Bonds herein authorized or parity bonds are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the 1988 and 1996 Bonds and any parity bonds which may be issued and outstanding from time to time pursuant to the provisions of this Resolution.

Following delivery of and payment for the 1996 Bonds herein authorized, there shall be transferred on or before the 20th day of each month from the Revenue Fund (having due regard to the priorities in connection with the outstanding 1961 Bonds) to the Sinking Fund, in addition to the principal and interest requirements of the 1988 Bonds according to the 1988 Resolution, not less than the following amounts:

- (i) beginning with and including the month in which interest shall last be payable from all 1996 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 1996 Bonds then outstanding; and

- (ii) beginning on November 20, 1998, a sum equal to one-twelfth (1/12) of the principal of all 1996 Bonds maturing on the next succeeding November 1.

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

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than five (5) years from the date the investment is made, or the final maturity date of 1996 Bonds or parity bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

* * * * *

The District has previously, by the 1961 Ordinance, created special funds for purposes of the 1961 Bonds and the System, identified as the "Water and Gas Bond and Interest Sinking Fund" (including the debt service reserve therein), the "Depreciation Fund" and the "Operation and Maintenance Fund." All provisions relating to said identified special funds are hereby ratified, readopted and affirmed; said Funds shall continue to be maintained according to the resolutions establishing same; and so long as the 1996 Bonds herein authorized are outstanding, the Revenue Fund and the aforesaid Depreciation Fund and Operation and Maintenance Fund created by the 1961 Ordinance shall continue in effect, with the District making such monthly transfers to said Depreciation and Operation and Maintenance Funds from the Revenue Fund as are required by the terms of the 1961 Ordinance; provided that the minimum sum to be accumulated in the Depreciation Fund with respect to the 1996 Bonds (in addition to amounts required to be accumulated for the 1961 and 1988 Bonds) shall be \$95,400, with monthly payments into said Depreciation Fund from the Revenue Fund with respect to the 1996 Bonds (in addition to such payments required for the 1961 and 1988 Bonds) to be at least \$795.

SECTION 8

COVENANTS TO BONDHOLDERS

In addition to and not in derogation of the covenants contained in the 1961 Ordinance in favor of the holders of the 1961 Bonds, the District hereby irrevocably covenants and agrees with the holder or holders of any and all 1996 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

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

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

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 1996 Bonds are outstanding, it will not (subject to the pre-existing rights of the holders of the 1961 Bonds) sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and in the 1961 Ordinance, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 1996 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 1996 Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 1961 Bonds and then 1988 and 1996 Bonds in accordance with the provisions governing prepayment of said Bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 1996 Bonds herein authorized, without the written consent and approval of USDA.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all outstanding bonds as aforesaid and the accruing interest thereon, and the accumulation of reserves as herein provided; and such rates and charges shall be adequate to meet all such

requirements as provided in this Resolution, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the date of issuance of the 1996 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 1996 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into all sinking funds established for the 1961 Bonds. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the said sinking funds during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

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

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 1996 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 1996 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 1996 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal or interest on any of the 1996 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District (but not in derogation of any of the prior rights and security interests created in connection with the 1961 Bonds), with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

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

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable

value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workmen's Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 1996 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED: TERMS

The 1996 Bonds authorized 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 revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 1996 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System,

ranking on a basis of equality and parity as to security and source of payment with the 1996 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of constructing the Project, together with incidental expenses, shall exceed the cost upon which the dollar amount of 1996 Bonds herein authorized has been computed, it shall pay the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through the issuance of parity bonds, provided that it has obtained (i) the consent of USDA, and (ii) if any 1996 Bonds are owned by persons other than USDA, the consent of the holders of two-thirds in principal amount of the outstanding 1996 Bonds so held.

(B) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 1996 Bonds, provided in each instance that:

- (i) the facility or facilities to be built 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 1996 Bonds and parity bonds, if any;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all 1996 Bonds and parity bonds, if any, then outstanding; and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding 1996 Bonds and on the additional bonds then to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer or firm of such engineers and shall be forecast over a period not exceeding five (5) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) immediately above and this

subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding 1996 Bonds and parity bonds, if any.

(C) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;
- (ii) adjust and increase appropriately the monthly amount to be deposited into the Depreciation Fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and
- (iii) make such additional bonds payable as to principal on November 1 of each year in which principal falls due and payable as to interest on May 1 and November 1 of each year.

(D) The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 1996 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 1996 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 1996 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 1996 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized 1996 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 1996 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 1996 Bonds, no change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 1996 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the proceeds of the 1996 Bonds deposited in the Construction Fund for the payment of costs of the Project will be made promptly in order that the Project may be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 1996 Bonds that so long as any of the 1996 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 1996 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 1996 Bonds or from any other sources, will not be invested or used in a manner which will cause the 1996 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, including Sections 1.103-13 and 1.103-14 of the Income Tax Regulations (26 CFR Part 1), as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code, (i) less than 10% of the proceeds of the 1996 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 1996 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived from payments in respect of such property; (ii) at least 90% of the proceeds of the 1996 Bonds will be applied for a public and governmental use of the District; (iii) any private business use of the Project will be related to such public and governmental use of the

District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 1996 Bonds will be used, directly or indirectly, to make or finance loans to private persons.

(B) Within the meaning of Section 148(f)(4)(B) of the Code, it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 1996 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 1996 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 1996 Bonds, the District will take all action necessary to comply therewith.

(C) The 1996 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

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

(E) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 12

SEVERABILITY CLAUSE

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

SECTION 13

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

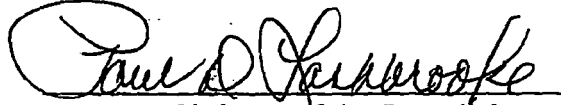
SECTION 14

WHEN RESOLUTION EFFECTIVE

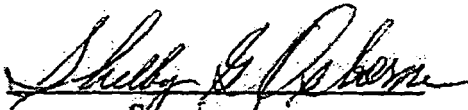
This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, at a meeting held on the 17th day of May, 1996, on the same occasion signed in open session by the Chairman, attested under seal by the Secretary, and declared to be in full force and effect.

(SEAL)


Chairman of the Commission

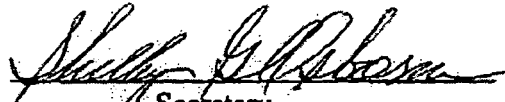
ATTEST:


Secretary

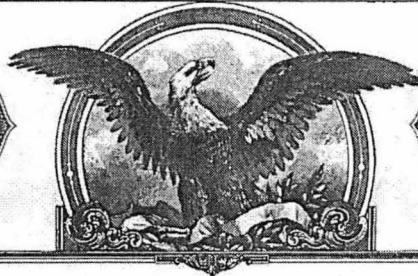
CERTIFICATION

The undersigned, Secretary of the Commission of Western Lewis-Rectorville Water District, Lewis and Mason Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Secretary upon the occasion of a properly convened meeting of the Commission of said District held on the 17th day of May, 1996, as shown by the official records in my custody and under my control.

WITNESS my hand this 17th day of May, 1996.


Secretary

150,000



150,000

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS

WESTERN LEWIS-RECTORVILLE WATER DISTRICT WATER AND GAS SYSTEM REVENUE BOND, 1988 SERIES A

KNOW ALL MEN BY THESE PRESENTS: That WESTERN LEWIS-RECTORVILLE WATER DISTRICT (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000)

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

Year	Principal	Year	Principal	Year	Principal
1990	\$ 1,000	2003	\$ 3,000	2016	\$ 5,000
1991	1,000	2004	3,000	2017	5,000
1992	1,000	2005	3,000	2018	6,000
1993	2,000	2006	3,000	2019	6,000
1994	2,000	2007	3,000	2020	6,000
1995	2,000	2008	3,000	2021	6,000
1996	2,000	2009	3,000	2022	7,000
1997	2,000	2010	4,000	2023	7,000
1998	2,000	2011	4,000	2024	8,000
1999	2,000	2012	4,000	2025	8,000
2000	2,000	2013	4,000	2026	8,000
2001	2,000	2014	4,000	2027	9,000
2002	2,000	2015	5,000		

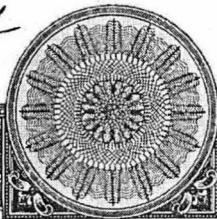
without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of five percent (5%) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Farmers Home Administration, is the registered holder of this Bond, at the office or address as may be designated by said Farmers Home Administration from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds designated 1988 Series A in the principal amount of \$150,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with the separate series of parity bonds, hereinafter referred to, issued simultaneously herewith and such additional bonds as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the series of which it forms a part, and any outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund"; provided, however, the District has outstanding certain of its Water and Gas System Revenue Bonds dated November 1, 1961, which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents; and so long as any of said bonds dated November 1, 1961, are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing said bonds dated November 1, 1961, and

ATTEST:

William A. Hood
Secretary



Robert B. Hull
Chairman of the Commission

It is acknowledged that this Bond and the series which it represents are subject to the prior pledges, liens and rights securing said previously issued and outstanding bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain identically styled bonds designated 1988 Series B and issued simultaneously with the Bonds of this series pursuant to the aforesaid Resolution.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements of the ordinance authorizing said previously issued and outstanding bonds dated November 1, 1961, to pay promptly the interest on and principal of this series of Bonds, and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 1998, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of five Hundred Dollars (\$500) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Farmers Home Administration, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is
March 23, 1989.

WESTERN LEWIS-RECTORVILLE WATER DISTRICT

- BOND-AUTHORIZING RESOLUTION -

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, 1988 SERIES A AND B, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN PREVIOUSLY ISSUED AND OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID WATER AND GAS SYSTEM REVENUE BONDS, 1988 SERIES A AND B.

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A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, 1988 SERIES A AND B, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN PREVIOUSLY ISSUED AND OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID WATER AND GAS SYSTEM REVENUE BONDS, 1988 SERIES A AND B.

WHEREAS, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), the Western Lewis-Rectorville Water District (the "District"), Lewis and Mason Counties, Kentucky, has been created and organized as a public body corporate and a statutory water district with all powers and authority as provided in KRS Chapter 74; and the District is at this time a de jure water district situated wholly in Lewis and Mason Counties, Kentucky; and

WHEREAS, by Ordinance of the Commission of the District adopted on November 3, 1961 (the "1961 Ordinance"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, dated November 1, 1961 (the "1961 Bonds"), for the purpose of providing funds for the construction of a water and gas distribution system (the "System") to serve the area of the District; and

WHEREAS, it is provided in and by the 1961 Ordinance that the District may issue additional bonds or other obligations in order to pay the costs of additions, improvements and extensions to the System without any proof of previous earnings or net revenues, provided that such additional bonds or other obligations are issued

in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the 1961 Bonds; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the Bonds herein authorized) the right and authority to acquire, construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the acquisition, construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the aforesaid project will be \$824,400, and to provide such funds the District has received from FmHA an offer to make a FmHA loan to the District in the amount of \$280,000, which will be supplemented by a grant from FmHA in the amount of \$500,000 and available funds of the District in the amount of \$44,400; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$280,000 through issuance and sale of its Water and Gas System Revenue Bonds, 1988 Series A and B (the "1988 Bonds"), according to authority of Kentucky Revised Statutes ("KRS") Chapters 58 and 74 and the provisions of the 1961 Ordinance permitting the issuance of subordinate bonds or other obligations; and the 1988 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky, provided that, as aforesaid, the 1988 Bonds shall be subject to the prior and superior pledges, liens and rights of the outstanding 1961 Bonds;

NOW, THEREFORE, THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS;
AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of

this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the acquisition, construction and installation of major additions and extensions to the District's water distribution facilities (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky (the "Engineers"). Immediate undertaking of such acquisition, construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The acquisition, construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's municipal combined water and gas distribution system (the "System," as expanded and improved by the Project), and so long as any of the 1988 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District on a combined and consolidated basis for the security and source of payment of the 1988 Bonds hereinafter authorized to be issued, and all other parity bonds outstanding and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be acquired, constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 58, now in full force and effect. The System, as expanded from time to time, and including the Project, is hereby declared to be a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

SECTION 3

ACKNOWLEDGMENT OF OUTSTANDING 1961 BONDS AND PRIOR SECURITIES THEREOF; 1988 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

The District acknowledges that it has previously issued or incurred, and that there are outstanding at this time, the 1961 Bonds, as identified and described in the preamble hereof, and further that the 1988 Bonds herein authorized to be issued shall be subordinate and inferior as to security and source of payment to the outstanding 1961 Bonds so long as same are outstanding and unpaid.

It is acknowledged and affirmed by the District that said outstanding 1961 Bonds possess prior and superior liens and rights with respect to the System and its income and revenues, and nothing in this Resolution shall be construed as impairing, amending or in any way diminishing said security rights, liens and interests. In this connection, the provisions of the 1961 Ordinance are hereby reaffirmed. The District hereby agrees and covenants that so long as the 1988 Bonds herein authorized are outstanding, it will not issue any bonds ranking on a parity with said outstanding 1961 Bonds.

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 1988 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water and Gas System Revenue Bonds, 1988 Series A and B, in the principal amount of \$280,000 (the "1988 Bonds").

The 1988 Bonds shall be dated as of the date of their original delivery and shall be issuable as a single fully registered bond in the case of each Series without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 1988 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 1988 Bonds shall mature as to principal in installments on November 1 in each of the years 1990 to 2027, inclusive, as set forth in the schedules appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on May 1 and November 1 of each year, and such interest in the case of both Series to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 1988 Bonds as hereinafter provided. The installments of principal of each Series of 1988 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedules:

1988 Series A Maturity Schedule
(\$150,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1990	\$ 1,000	2009	\$ 3,000
1991	1,000	2010	4,000
1992	1,000	2011	4,000
1993	2,000	2012	4,000
1994	2,000	2013	4,000
1995	2,000	2014	4,000
1996	2,000	2015	5,000
1997	2,000	2016	5,000
1998	2,000	2017	5,000
1999	2,000	2018	6,000
2000	2,000	2019	6,000
2001	2,000	2020	6,000
2002	2,000	2021	6,000
2003	3,000	2022	7,000
2004	3,000	2023	7,000
2005	3,000	2024	8,000
2006	3,000	2025	8,000
2007	3,000	2026	8,000
2008	3,000	2027	9,000

1988 Series B Maturity Schedule
(\$130,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1990	\$ 1,000	2009	\$ 3,000
1991	1,500	2010	3,000
1992	1,500	2011	3,500
1993	1,500	2012	3,500
1994	1,500	2013	3,500
1995	1,500	2014	4,000
1996	1,500	2015	4,000
1997	1,500	2016	4,500
1998	2,000	2017	4,500
1999	2,000	2018	5,000
2000	2,000	2019	5,000
2001	2,000	2020	5,000
2002	2,000	2021	5,500
2003	2,000	2022	6,000
2004	2,500	2023	6,000
2005	2,500	2024	6,500
2006	2,500	2025	6,500
2007	2,500	2026	7,000
2008	3,000	2027	7,500

provided, however, that installments of principal of the 1988 Bonds shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after November 1, 1998, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 1988 Bonds; provided, that so long as FmHA is the owner of any of the 1988 Bonds, same may be prepaid in whole or in part at any time, at par plus accrued interest, and without notice or prepayment premium. The 1988 Bonds may be prepaid only in increments of \$500.

Both principal of and interest on the 1988 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as FmHA is the registered holder, at the office or address as may be designated by FmHA from time to time.

If any District officer whose signature appears on any 1988 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 1988 Bond. The 1988 Bonds, together with the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund," 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 revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 1988 Bonds authorized by this Resolution shall be publicly offered for sale according to a "Notice of Sale of Bonds" conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lewis County Herald, a legal newspaper published in Vanceburg, Lewis County, Kentucky, which is qualified under KRS 424.120 to publish

advertisements for the District; (b) the Ledger Independent, a legal newspaper published in Maysville, Mason County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (c) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 1988 Bonds to be sold, the time of the sale and other details concerning the 1988 Bonds and the sale and shall inform prospective bidders that a copy of the "Official Notice of Bond Sale," setting out the maturities, security of the 1988 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, inter alia, substantially the following bidding requirements:

(A) Bidders are required to bid a cash price of not less than par value for all of the 1988 Bonds.

(B) The single interest rate for both Series must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 1988 Bond issue, to be issued as a single fully registered bond for each Series of 1988 Bonds.

(D) Bidders (except FmHA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 1988 Bonds, which good faith deposit may be applied as partial payment for the 1988 Bonds, or as liquidated damage in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 1988 Bonds, computed from the first day of the month following the date of sale of the 1988 Bonds (even though the 1988 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1988 Bonds at the office of the District within 45 days after notice is given of the award. If the 1988 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 1988 Bonds, except that 1988 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 1988 Bonds, together with evidence of approval of the 1988 Bond issue by the Public Service Commission of Kentucky pursuant to the requirements of KRS Chapter 278 and customary closing documents, including no-litigation certificate.

(J) The 1988 Bonds will be tendered within said 45-day period and the successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 1988 Bonds, without additional cost to the successful bidder.

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

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except FmHA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 1988 Bonds.

SECTION 5

1988 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 1988 Bonds, the District shall issue a single fully registered 1988 Bond numbered R-1 (hereinafter referred to as the "Fully Registered Bond") for each Series of 1988 Bonds. Each Fully Registered Bond shall be in the aggregate principal amount of the Series it represents, maturing as to principal in installments as set out in Section 3 hereof. Each Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. Each Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute the 1988 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of each Fully Registered Bond shall be kept by

the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. Each Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon such transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on the Fully Registered Bond and deliver the Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of each Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

Each Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS
WESTERN LEWIS-RECTORVILLE WATER DISTRICT
WATER AND GAS SYSTEM REVENUE BOND, 1988 SERIES _____

No. R-1

\$ _____

KNOW ALL MEN BY THESE PRESENTS:

That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the

special fund hereinafter identified, the sum of _____ DOLLARS (\$ _____) on the first day of November in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here printer will print the principal maturities for the 1988 Series A Bonds and 1988 Series B Bonds, respectively)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (_____ %) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Farmers Home Administration, is the registered holder of this Bond, at the office or address as may be designated by said Farmers Home Administration from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds designated 1988 Series _____ in the principal amount of \$ _____ issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with the separate series of parity bonds, hereinafter referred to, issued simultaneously herewith and such additional bonds as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the series of which it forms a part, and any outstanding parity bonds, as and when the

same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund"; provided however, the District has outstanding certain of its Water and Gas Revenue Bonds dated November 1, 1961, which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents; and so long as any of said bonds dated November 1, 1961, are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing said bonds dated November 1, 1961, and it is acknowledged that this Bond and the series which it represents are subject to the prior pledges, liens and rights securing said previously issued and outstanding bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain identically styled bonds designated 1988 Series ___ and issued simultaneously with the Bonds of this series pursuant to the aforesaid Resolution.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements of the ordinance authorizing said previously issued and outstanding bonds dated November 1, 1961, to pay promptly the interest on and principal of this series of Bonds, and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 1998, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of Five Hundred Dollars (\$500) as the District may determine, at a price in an

amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Farmers Home Administration, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

WESTERN LEWIS-RECTORVILLE
WATER DISTRICT

By _____
Chairman of the Commission

ATTEST:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

Date of Registration	Name of Registered Holder	Signature of the Water District's Bond Registrar
	United States of America	
	Farmers Home Administration, State Office	
	333 Waller Avenue	
	Lexington, Kentucky 40504*	

*(To be inserted if FmHA purchases the 1988 Bonds)

SECTION 6

DISPOSITION OF 1988 BOND PROCEEDS; CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in the bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by FmHA so long as it is the holder of any of the 1988 Bonds; and FmHA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of FmHA. The proceeds of the 1988 Bonds shall be applied as follows:

Upon the issuance and delivery of the 1988 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Western Lewis-Rectorville Water District 1988 Construction Fund" (the "Construction Fund") created by separate interim financing Resolution of the Commission of the District adopted concurrently herewith. Said 1988 Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 1988 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 1988 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund. There shall also be deposited in the Construction Fund, as received, the proceeds of all grants in aid of construction of the Project (as specified in the conditions of the FmHA loan to the District), unless said sums, or any portions thereof, have already been expended for authorized Project purposes.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 1988 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 1988 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman and Secretary and, if FmHA is the purchaser of the Bonds, by FmHA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 1988 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the

principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by FmHA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid FmHA loan, and to FmHA approval, shall be transferred and deposited in the Sinking Fund and shall be used at the earliest practicable date for the retirement of 1988 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 1988 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by FmHA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by FmHA.

Pending disbursements for the authorized purposes, the proceeds of all 1988 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 1988 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

All proceedings preliminary to and in connection with the issuance of the 1961 Bonds, particularly the 1961 Ordinance, whereby provision was made for the operation of the System on a revenue-producing basis, for the segregation, allocation and custody of revenues derived from the operation of the System, and for the enforcement and payment of the 1961 Bonds, are hereby ratified and confirmed and shall continue in full force and effect, the same as if such provisions and proceedings were herein set out in full, and nothing herein shall be construed as altering, revising or amending said contractual relationships; and so long as the 1961 Bonds remain outstanding and unpaid, the District shall maintain all funds required to be maintained and created by the terms of the 1961 Ordinance.

Consistent with the foregoing, it is hereby resolved and provided that from and after issuance and delivery of the 1988 Bonds herein authorized, and so long as any of the 1988 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis, and on that basis the cash income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1961 Ordinance identified as the "Western Lewis-Rectorville Water District Revenue Fund" (the "Revenue Fund"), which shall be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall be allocated to the respective accounts as set out in the 1961 Ordinance and shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the 1961 Ordinance. After making from the Revenue Fund the separate account allocations and all disbursements and payments required to be made in fulfillment of the contractual commitments made in connection with the 1961 Bonds (as provided in the 1961 Ordinance), the moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District is hereby created to be deposited and maintained in the Depository Bank, distinct and apart from all other funds and accounts, and the same is designated and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund" (the "Sinking Fund"), which shall be maintained so long as any of the 1988 Bonds herein authorized or parity bonds herein permitted to be issued are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the 1988 Bonds and any parity bonds which may be issued and outstanding from time to time pursuant to the provisions of this Resolution.

Following delivery of and payment for the 1988 Bonds herein authorized, there shall be transferred on or before the 20th day of each month from the Revenue Fund (having due regard to the priorities in connection with the outstanding 1961 Bonds) to the Sinking Fund not less than the following amounts:

- (i) beginning with and including the month in which interest shall last be payable from all 1988 Bond

proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 1988 Bonds then outstanding; and

- (ii) beginning on November 20, 1989, a sum equal to one-twelfth (1/12) of the principal of all 1988 Bonds maturing on the next succeeding November 1.

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

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than five (5) years from the date the investment is made, or the final maturity date of 1988 Bonds or parity bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

* * * * *

The District has previously, by the 1961 Ordinance, created special funds for purposes of the 1961 Bonds and the System, identified as the "Water and Gas Bond and Interest Sinking Fund" (including the debt service reserve therein), the "Depreciation Fund" and the "Operation and Maintenance Fund." All provisions relating to said identified special funds are hereby ratified, readopted and affirmed; said Funds shall continue to be maintained according to the resolutions establishing same; and so long as the 1988 Bonds herein authorized are outstanding, the Revenue Fund and the aforesaid Depreciation Fund and Operation and Maintenance Fund created by the 1961 Ordinance shall continue in effect, with the District making such monthly transfers to said Depreciation and Operation and Maintenance Funds from the Revenue Fund as are required by the terms of the 1961 Ordinance; provided that the minimum sum to be accumulated in the Depreciation Fund with respect to the 1988 Bonds shall be \$16,800, with monthly payments into said Depreciation Fund from the Revenue Fund with respect to the 1988 Bonds to be at least \$140.

SECTION 8

COVENANTS TO BONDHOLDERS

In addition to and not in derogation of the covenants contained in the 1961 Ordinance in favor of the holders of the 1961 Bonds, the District hereby irrevocably covenants and agrees with the holder or holders of any and all 1988 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

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

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

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 1988 Bonds are outstanding, it will not (subject to the pre-existing rights of the holders of the 1961 Bonds) sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and in the 1961 Ordinance, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 1988 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 1988 Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 1961 Bonds and then 1988 Bonds in accordance with the provisions governing prepayment of said Bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as FmHA owns any of the 1988 Bonds herein authorized, without the written consent and approval of FmHA.

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

On or before the date of issuance of the 1988 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 1988 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into all sinking funds established for the 1961 Bonds. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash

income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the said sinking funds during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

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

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 1988 Bonds issued hereunder. If

requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as FmHA holds any of the 1988 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by FmHA.

(J) Any holder of 1988 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 1988 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District (but not in derogation of any of the prior rights and security interests created in connection with the 1961 Bonds), with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

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

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the

premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workmen's Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as FmHA holds any 1988 Bonds, the District will procure and maintain insurance of such types and amounts as FmHA may specify.

(Q) So long as FmHA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by FmHA without immediately prepaying all of such bonds held by FmHA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 1988 Bonds authorized 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 revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 1988 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations

shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 1988 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of constructing the Project, together with incidental expenses, shall exceed the cost upon which the dollar amount of 1988 Bonds herein authorized has been computed, it shall pay the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through the issuance of parity bonds, provided that it has obtained (i) the consent of FmHA, and (ii) if any 1988 Bonds are owned by persons other than FmHA, the consent of the holders of two-thirds in principal amount of the outstanding 1988 Bonds so held.

(B) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 1988 Bonds, provided in each instance that:

- (i) the facility or facilities to be built 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 1988 Bonds and parity bonds, if any;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all 1988 Bonds and parity bonds, if any, then outstanding; and

- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding 1988 Bonds and on the additional bonds then to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer or firm of such engineers and shall be forecast over a period not exceeding five (5) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) immediately above and this subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding 1988 Bonds and parity bonds, if any.

(C) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;
- (ii) adjust and increase appropriately the monthly amount to be deposited into the Depreciation Fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and
- (iii) make such additional bonds payable as to principal on November 1 of each year in which principal falls due and payable as to interest on May 1 and November 1 of each year.

(D) The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 1988 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security

and source of payment of which are subordinate and subject to the priority of the 1988 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 1988 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 1988 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized 1988 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 1988 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 1988 Bonds, no change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 1988 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the proceeds of the 1988 Bonds deposited in the Construction Fund for the payment of costs of the Project will be made promptly in order that the Project may be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 1988 Bonds that so long as any of the 1988 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 1988 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 1988 Bonds or from any other sources, will not be invested or used in a manner which will cause the 1988 Bonds to be

"arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, including Sections 1.103-13 and 1.103-14 of the Income Tax Regulations (26 CFR Part 1), as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 148 of the Code, (i) less than 10% of the proceeds of the 1988 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 1988 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived from payments in respect of such property; (ii) at least 90% of the proceeds of the 1988 Bonds will be applied for a public and governmental use of the District; (iii) any private business use of the Project will be related to such public and governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 1988 Bonds will be used, directly or indirectly, to make or finance loans to private persons.

(B) Within the meaning of Section 148(f) of the Code, the District is a governmental unit with the benefit of general taxing powers through the Counties of Lewis and Masons, none of the 1988 Bonds is a private activity bond, 95% or more of the net proceeds of the 1988 Bonds will be used for local public and governmental activities of the District, and the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the District, the Counties of Lewis and Mason and all of their respective subordinate entities during the calendar year 1988 is not reasonably expected to exceed \$5,000,000. Further, it is reasonably expected all 1988 Bond proceeds will be expended within six months from the date of issue of the 1988 Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 1988 Bonds, the District will take all action necessary to comply therewith.

(C) The 1988 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

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

(E) Within the meaning of Section 265(b) of the Code, the 1988 Bonds are "qualified tax-exempt obligations" and are hereby so designated by the District for purposes of Section 265(b)(3) of the Code, and in this connection the District states that the reasonably anticipated amount of qualified tax-exempt obligations (other than private activity bonds) which will be issued by the District, the Counties of Lewis and Mason and all of their respective subordinate entities during the year 1988 does not exceed \$10,000,000.

SECTION 12

SEVERABILITY CLAUSE

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

SECTION 13

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

SECTION 14

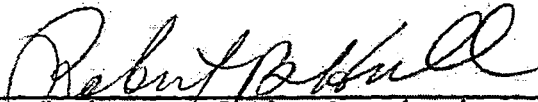
WHEN RESOLUTION EFFECTIVE


This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, at a meeting held on the 10th day of September, 1988, on the same occasion signed in open session by the Chairman, attested under seal by the Secretary, and declared to be in full force and effect.

(SEAL)

ATTEST:


Chairman of the Commission


Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of Western Lewis-Rectorville Water District, Lewis and Mason Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Secretary upon the occasion of a properly convened meeting of the Commission of said District held on the 10th day of September, 1988, as shown by the official records in my custody and under my control.

WITNESS my hand and the seal of said District this 10th day of September, 1988.

(SEAL)

William J. Hard
Secretary

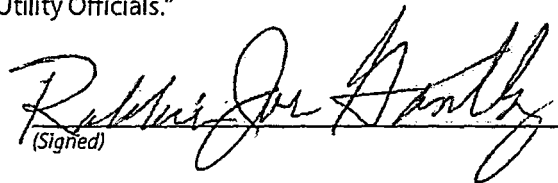
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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

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

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

Robbie Gantley
(Print Name)


(Signed)

Commissioner
(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 Martin

Subscribed and sworn to before me by Robbie Gantley
(Name)

this 11 day of September, 2018.

Shawn R. Dennis # 520718
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Gerald Johnson
(Print Name)

Gerald W. Johnson
(Signed)

Commissioner
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by Gerald Johnson
(Name)

this 11th day of September, 2018.

Shawn R. Dennis # 520712
NOTARY PUBLIC
State-at-Large

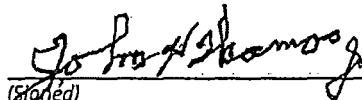
**STATEMENT OF DISCLOSURE OF
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Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

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John Thomas
(Print Name)


(Signed)

Chairman
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by John Thomas
(Name)

this 11th day of September, 2018.

Sharon R. Demme # 520718
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Terry Thomas
(Print Name)

Terry Thomas
(Signed)

Secretary
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by Terry Thomas
(Name)

this 10th day of September, 2018.

Shawn R. Demisa # 520718
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Chad Clark
(Print Name)

Chad Clark
(Signed)

General Manager
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Mason

Subscribed and sworn to before me by Chad Clark
(Name)

this 10th day of September, 20 18.

Shawn R. Dennis # 520718
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Robert Applegate
(Print Name)

Robert Applegate
(Signed)

Treasurer
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Madison

Subscribed and sworn to before me by Robert Applegate
(Name)

this 10th day of September, 2018.

Shawn R. Dennis #52076
NOTARY PUBLIC
State-at-Large