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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

Before the Public Service Commission

In the Matter of:

THE APPLICATION OF HENDERSON COUNTY )  
WATER DISTRICT FOR CERTIFICATE OF ) CASE NO. 2014-00402  
PUBLIC CONVENIENCE AND NECESSITY )  
AND APPROVAL OF FINANCING )

NOTICE OF FILING

HENDERSON COUNTY WATER DISTRICT ("HCWD), by counsel,  
submits the attached loan documents for filing. The project is nearing substantial  
completion and upon substantial completion, HCWD will file its cost summary.

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Attorneys for Henderson County Water District

By

  
\_\_\_\_\_  
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## LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into as of the 2<sup>nd</sup> day of December, 2015, by and between the Henderson County Water District (the "Issuer"), a political subdivision of the Commonwealth of Kentucky, organized and existing pursuant to the laws of the Commonwealth of Kentucky, and Old National Bank, Evansville, Indiana (the "Bank"),

### WITNESSETH:

WHEREAS, the Issuer is a water district organized under Chapter 74 of the Kentucky Revised Statutes (the "Act"); and

WHEREAS, the waterworks system (the "System") of the Issuer is owned and operated by said Issuer pursuant to the Act; and

WHEREAS, it is the desire and intent of the Issuer at this time to authorize and provide for the issuance of revenue obligations in the principal amount of \$350,000 (the "Notes"), for the purpose of financing the cost (not otherwise provided) of the acquisition and installation of new radio read meters (the "Project") for the System of the Issuer and to prescribe the covenants of the Issuer, the rights of Bank and the details of the issuance of the proposed Notes, and

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

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

WHEREAS, the Issuer has obtained a Certificate of Public Convenience and Necessity from the Kentucky Public Service Commission authorizing the acquisition of the Project and an Order approving the issuance of the Notes; and

WHEREAS, the Notes shall be secured by a pledge of the revenues derived from the operation of the System, subject to the rights and priorities of the holders of the outstanding Prior Obligations; and

WHEREAS, the issuance of the Notes herein authorized and the execution of this Loan Agreement have been authorized and directed by a Resolution adopted by the Board of Commissioners of the Issuer at a meeting duly called and held for that purpose;

NOW, THEREFORE, THIS LOAN AGREEMENT, WITNESSETH:

## ARTICLE 1. DEFINITIONS

**Section 101. Definitions.** As used in this Loan Agreement, unless the context requires otherwise, the following terms shall have the following respective meanings:

*"Act"* refers to Chapter 74 of the Kentucky Revised Statutes, as amended.

*"Assistance Agreement"* refers to the Assistance Agreement by and between the Kentucky Rural Water Finance Corporation and the Issuer, dated April 11, 2006 whereunder the KRWFC Loan was issued.

*"Bank"* refers to Old National Bank, Evansville, Indiana, which has agreed to purchase the Notes.

*"Bond Counsel"* refers to Rubin & Hays, Louisville, Kentucky, or any other nationally recognized individual or firm in the field of municipal bond law.

*"Bond Resolution of 2013"* or *"2013 Bond Resolution"* refers to the Resolutions of the Issuer authorizing the Bonds of 2013.

*"Bonds of 2013"* or *"Series 2013 Bonds"* collectively refers to the \$1,995,000 of Henderson County Water District Waterworks Revenue Bonds, Series 2013 and 2013A, dated February 7, 2014 authorized by the 2013 Bond Resolution.

*"Code"* refers to the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

*"Commission"* or *"Board of Commissioners"* refers to the Board of Commissioners of the Issuer.

*"Costs of the Project"* means and includes the following:

- (a) filing and recording fees and incidental expenses, if any;
- (b) the costs of acquiring the Project;
- (c) the cost of publishing any proceedings, if any, as may be required by law;
- (d) the fee and out-of-pocket expenses of Bond Counsel; and
- (e) all other costs and expenses, necessary to be incurred in connection with the acquisition and installation of the Project.

"Date of Delivery" refers to December 2, 2015.

"Debt Service Coverage Ratio" shall mean the ratio, as determined in accordance with generally accepted accounting principles, of the Issuer's increase in net assets (consisting of interest plus depreciation and amortization, plus unrealized investment loss or gain), to the sum of all principal and interest payments due during a consecutive 12 month period on (i) the Prior Obligations; (ii) the Notes; and (iii) any other indebtedness of the Issuer.

"Determination of Taxability" refers to the occurrence of a determination that the interest on the Notes is subject to federal income taxation as a result of an Event of Taxability, which determination shall be deemed to have been made on the date on which the Issuer shall receive written notice from a Noteowner or former Noteowner that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice which claims in effect that the interest on the Notes is includable in the gross income of the Noteowner or former Noteowner thereof due to the occurrence of an Event of Taxability; provided, however, that no Determination of Taxability shall be deemed to have occurred unless and until the Issuer has been afforded the opportunity, at its election and expense as hereinafter provided, to participate fully in a contest of such claim and such contest, if made, has been abandoned by the Issuer or has been finally determined adversely to the Issuer by a court of competent jurisdiction from which no further appeal exists. The Issuer shall not have the right to participate in any contest of such claim unless (i) within one hundred twenty (120) days after receipt of notice of such claim from the Noteowner or former Noteowner, the Issuer makes a written request to the Noteowner or former Noteowner involved in such claim that such claim be contested and furnishes a written opinion of Bond Counsel, satisfactory to such Noteowner or former Noteowner as to the identity of such counsel and the substance of the opinion rendered, to the effect that a reasonable basis exists for contesting such claim; and (ii) the Issuer agrees in writing to pay on demand all costs and expenses (including attorney's fees) which such Noteowner or former Noteowner may incur in contesting such claim.

"Event of Taxability" refers to the occurrence of circumstances because of which a Determination of Taxability shall have been found to have occurred, or which shall constitute a Determination of Taxability, and which results in the interest payable on the Notes becoming includable in the gross income for federal income tax purposes of any Noteowner (other than a Noteowner who is a "substantial user" of the Project or a "related person" as those terms are used in Section 147(a) of the Code), such occurrence of circumstances relating to a specific point in time.

"IRS" refers to the Internal Revenue Service of the Treasury Department of the United States of America.

"Interest Rate" for the purpose of the Notes shall mean a fixed rate of interest equal to 3.25% per annum.

"KRWFC Loan" refer to the Kentucky Rural Water Finance Corporation loan to the Issuer in the original principal amount of \$4,692,000, dated April 11, 2006.

"*Note Payment Date*" refers to any of the dates designated by this Loan Agreement for payment of principal of and/or interest on the Notes, and unless otherwise provided by this Loan Agreement, Note Payment Date refers to the 2<sup>nd</sup> day of each month commencing January 2, 2016, until the Notes are paid (or provision made therefor) in accordance with this Loan Agreement.

"*Notes*" refers to the Henderson County Water District Waterworks Revenue Notes, Series 2015.

"*Prior Obligation Documentation*" collectively refers to the 2013 Bond Resolution and the Assistance Agreement.

"*Prior Obligations*" collectively refers to the Series 2013 Bonds and the KRWFC Loan.

"*Project*" refers to the acquisition and installation of new radio read water meters and appurtenances, as described in Exhibit A attached hereto.

"*Regulations*" refers to the applicable Federal income tax regulations issued by the Department of Treasury of the United States of America interpreting the Code.

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

**Section 102. Words of Masculine Gender; Plural as Well as Singular Form.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words and terms herein defined shall be equally applicable to the plural as well as to the singular form of any of such words and terms. All words and terms used in this Loan Agreement have the meaning set forth therein. Unless otherwise indicated, references to Articles or Sections refer to those in this Loan Agreement.

## ARTICLE 2. AUTHORIZATION OF NOTES; REDEMPTION

**Section 201. Authorization of Notes.** For the purpose of defraying the Costs of the Project under the Act, the Issuer is authorized to issue and sell its negotiable Notes, dated the Date of Delivery, in the principal amount of Three Hundred Fifty Thousand Dollars (\$350,000) issued as fully registered notes in any denomination thereof.

**Section 202. Payments on the Notes.** The Notes shall bear interest at the Interest Rate on the aggregate unpaid balance of advances made by the Bank under the Notes, payable on each Note Payment Date, such payments to be in one hundred nineteen (119) equal monthly principal and interest installments of \$3,427.97, beginning January 2, 2016 and continuing through and including November 2, 2025, which are to be first applied to interest due on the Notes and the remainder to the outstanding unpaid principal, with the entire balance of principal and interest then due being payable on December 2, 2025.

Advances may be made by the Bank to the Issuer for benefit of the Issuer from time to time under the Notes, provided, however, all advances on the Notes shall be made on or before January 1, 2016. Upon the disbursement of each such advance, the Bank shall record as part of its normal operations the making and amount of each such advance and repayment of amounts of principal made on the Notes. The aggregate amount of all advances made by the Bank, less the amounts of payment of principal made by the Issuer, shall be the principal amount outstanding under the Notes. The Bank's computer records shall be prima facie evidence of the unpaid amount of principal outstanding under the Notes.

The advances and other extensions of credit to or for the benefit of the Issuer shall constitute one obligation of Issuer, and shall be secured by the lien of this Loan Agreement.

The Bank will account to the Issuer monthly, until the total amount of principal under the Note has been advanced with a statement of the principal amount outstanding on the Notes and such other charges and payments made pursuant to this Loan Agreement and the Notes, and such accounting rendered by the Bank shall be deemed final, binding, conclusive and prima facie evidence upon the Issuer, absent manifest error, unless the Bank is notified by the Issuer in writing to the contrary within thirty (30) days of the date each accounting is mailed to the Issuer. Such notice shall be deemed an objection to those items specifically objected to in the notice.

The Bank shall have the right to cease making advances under the Notes to the Issuer upon or after any Event of Default described in Section 505 hereof.

**Section 203. Place of Payment.** Interest on each Note shall be payable by check or draft mailed to the registered owner thereof at the address shown on the registration books kept by the Issuer as registrar. The principal of the Notes shall be payable, without exchange or collection charges, in lawful money of the United States of America upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the main office of the Bank.

**Section 204. Maturity.** The final maturity of the Notes shall be December 2, 2025.

**Section 205. Redemption.** The Notes may be redeemed by the Issuer, at any time, prior to maturity, in whole or in part, without prepayment penalty.

In addition, the Notes are subject to mandatory redemption in whole, at any time, within one hundred eighty (180) days after the occurrence of a Determination of Taxability, at a redemption price of one hundred percent (100%) of the aggregate principal amount of Notes outstanding plus accrued interest to the redemption date; provided however, that by the mutual agreement of the Issuer and the Bank, in lieu of the mandatory redemption of the Notes the Interest Rate on the Notes would be subject to adjustment, by adjusting the added percentage to the Interest Rate, such that the Bank shall receive the same tax equivalent yield on the Notes as it was receiving prior to the Determination of Taxability.

**Section 206. Security for Notes.** The Notes are issued pursuant to the provisions of Sections 74.280 through 74.310 of the Kentucky Revised Statutes and are not an indebtedness of the Issuer within the meaning of the Kentucky Constitution. The Notes are payable solely from and are secured by a pledge of the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior Obligations and the conditions of the Prior Obligation Documentation.

### ARTICLE 3. NOTE FORM

**Section 301. Note Form.** The Notes shall be in substantially the respective forms set forth in Exhibit B attached hereto.

**Section 302. Execution of the Notes.** The Notes shall be executed on behalf of the Issuer by the manual or facsimile signature of the Chairman of the Issuer, with the Corporate Seal of the Issuer affixed thereto and attested by the manual or facsimile signature of the Secretary of said Issuer.

**Section 303. Notes Shall Be Fully Registered.** The Notes shall be fully registered and transferred and assigned in accordance with the written authorized instruction of the registered owner. The Issuer shall establish and maintain a list of the registered owners of the Notes.

**Section 304. Registration and Payment.** All Notes shall be registered as to both principal and interest on the books of the Issuer. No transfer of any Notes shall be valid unless made on said books at the request of the registered owner in person or by his attorney duly authorized in writing, and similarly noted on such Note. The person in whose name a Note is registered upon the books of the Issuer shall be deemed the owner thereof for all purposes.



**ARTICLE 4. SALE OF THE NOTES; DISPOSITION OF PROCEEDS;  
LIMITATIONS ON INVESTMENTS**

**Section 401. Conditions of Sale of Notes.** Pursuant to Section 74.290 of the Kentucky Revised Statutes, the Issuer has taken solicitations from responsible lenders and has determined that the terms and conditions offered by the Bank are in the best interests of the Issuer.

**Section 402. Disposition of Proceeds of Sale of Notes.** Upon the issuance and delivery of the Notes, the proceeds of the Notes shall be drawn and paid out to the Issuer or its designee upon receipt of a properly executed form or certificate required by the Bank and signed by an authorized representative of the Issuer.

**Section 403. Arbitrage Limitation.** The Issuer covenants that sums derived from the proceeds of the Notes shall not be invested in investments which will produce a net adjusted yield which is in excess of the yield of the Notes if such investment would cause such Notes to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable Regulations thereunder; provided, however, that such proceeds may be invested to whatever extent and whenever such Code and/or applicable Regulations permit same to be invested without causing the Notes to be treated as "arbitrage bonds."

The Issuer further covenants to the noteholders that:

(1) the Issuer will make no use of the proceeds of the Notes, if such use had been reasonably expected on the date of issuance of such Notes, would have caused such Notes to be "arbitrage bonds", and

(2) that the Issuer will comply with:

(i) all of the requirements of Section 148 of the Code; and

(ii) all of the requirements of the applicable Regulations thereunder, to whatever extent is necessary to assure that the Notes shall not be treated as "arbitrage bonds".

On the basis of known facts, circumstances and reasonable expectations in existence on the date of approval of this Loan Agreement, the Issuer certifies as follows:

(1) that it is not expected that the proceeds of the Notes will be used in a manner which would cause such Notes to be "arbitrage bonds";

(2) that it is anticipated that amounts on deposit in any sinking fund will be used within thirteen (13) months from the date of deposit for the payment of debt service on the Notes, and that, except for an amount equal to not more than the greater of (i) one-twelfth (1/12) of debt service requirements of the Notes for the then ensuing year or (ii) one year's

earnings on the sinking fund, such sinking fund will be depleted through such application for current debt service requirements of the Notes;

(3) that the original proceeds of the Notes will not exceed by more than 5%, the amount required for the acquisition of the Project, and that there has therefore been no overissuance of the Notes; and

(4) that the Issuer has not been advised of any listing or contemplated listing by the IRS determining that such certification with respect to its obligations may not be relied upon.

Prior to or at the time of delivery of the Notes, the Chairman and/or Officer of the Issuer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated acquisition, construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by the Regulations, in order to assure that interest on the Notes will be excludable from gross income for Federal income tax purposes and that the Notes will not be treated as "arbitrage bonds".

## ARTICLE 5. GENERAL COVENANTS

**Section 501. Covenants of the Issuer.** The Issuer further covenants and agrees with the Bank to maintain the Project in good condition, and also to pay the maintenance costs thereof, and all other costs thereof, including the cost of insurance, as hereinbefore provided.

**Section 502. Covenant Regarding Application of Revenues.** The Issuer covenants for itself, its successors and assigns, to use, or cause to be used, its revenues received from any source, for the following purposes and in the following order:

(a) To pay or cause to be paid any and all interest, principal and other requirements of the Prior Obligations and Prior Obligation Documentation.

(b) To pay or cause to be paid to the Bank the amounts prescribed herein for the payment of interest and principal requirements of the Notes.

(c) To pay, or cause to be paid, any expenses of operation, maintenance and repairs, insurance, assessments, apportionment warrants, taxes, if any, and other charges, against the System.

**Section 503. Rate Covenant; Debt Service Coverage Ratio.** The Issuer shall operate the System on a revenue producing basis and charge such fees and rates for its services and exercise such skill and diligence as to provide income from the Issuer together with other available funds sufficient to pay promptly all debt service payments, all expenses of operation, maintenance and repair of the System, enable the Issuer to have at any time a Debt Service Coverage Ratio not less than 100% beginning with the fiscal year commencing with the full fiscal year following the completion of the Project and provide all other payments required to be made by it hereunder to the extent permitted by law. In addition, the Issuer shall, from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section.

If the Debt Service Coverage Ratio is less than 100% upon a calculation thereof commencing with the full fiscal year following the completion of the Project, then the Issuer shall (i) retain a Certified Public Accountant to make recommendations with respect to the rates, fees and charges of the System and the Issuer's methods of operation and other factors affecting its financial condition in order to increase the Debt Service Coverage Ratio to at least 100%, and (ii) take any and all action necessary to implement the recommendations of the Certified Public Accountant, including filing the appropriate application with the Kentucky Public Service Commission for a modification of the Issuer's rates and charges.

So long as the Issuer complies with the Certified Public Accountant's reasonable recommendations (to the extent that such recommendations are approved by the Bank so long as any of the Notes are held by the Bank) to the extent not prohibited by law, then no default shall be declared with respect to this Section, provided all required Note payments are being timely made.

**Section 504. Covenant as to Insurance and Audits.** The Issuer agrees that so long as any of the Notes are outstanding it will cause the following covenants to be complied with:

(a) *Insurance.* It will keep the System insured against loss or damage by fire, windstorm, tornado, or other casualties to an extent at least equal to the insurable value thereof, and such other forms of insurance shall be carried in such amounts as are ordinarily carried for property of like character in a responsible insurance company or companies. Any amount collected under said policies for any loss covered or damage done shall first be applied to the replacement or restoration of any building or buildings damaged or destroyed, and any surplus then remaining after such replacement or restoration shall be paid into the Issuer's general fund.

(b) *Audits.* It will, as soon as may be feasible after the close of each fiscal year, in any event, not later than 120 days thereafter, cause an audit of the financial affairs of the Issuer to be made by a Certified Public Accountant.

It will properly mail or cause to be mailed, to the original purchaser of the Notes, a copy of such audit report and will cause a copy of such audit report to be kept on file with the Bank.

**Section 505. Default; Remedies.** The following shall be considered an "Event of Default" under this Loan Agreement:

(1) the Issuer shall fail for any reason to make the required payments to the Bank or shall fail to make an annual appropriation for the payment of the Notes in the Issuer's annual budget, or

(2) there shall be any default in the payment of the principal of or the interest on the Notes, when due, or

(3) the Issuer shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Loan Agreement, any authorizing resolution of the Issuer, or the Notes, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Bank, or

(4) the Issuer shall in any way fail to meet the obligations imposed upon it hereunder.

Upon the occurrence of any Event of Default under this Section 505 the Bank shall, by notice in writing delivered to the Issuer, declare the principal of all Notes and all interest accrued thereon to be accelerated. Such notice shall declare such principal and interest to be accelerated and immediately due and payable. Upon any acceleration hereunder, the Bank shall immediately declare the payments required to be made by the Issuer under the Notes to be immediately due and payable.

Any notice mailed in such manner shall be conclusively presumed to have been given, whether or not the Issuer receives the notice.

The Bank may enforce and compel the performance of all duties and obligations of the Issuer set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by the Bank, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the Issuer with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Notes and the Prior Obligations and to provide and apply the income and revenues in conformity with this Loan Agreement and with the laws of the Commonwealth of Kentucky.

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

**Section 506. Parity Indebtedness.** The Issuer reserves the right to issue future parity indebtedness provided the requirements set forth in Section 10 of the Assistance Agreement are complied with.

## ARTICLE 6. MISCELLANEOUS PROVISIONS

**Section 601. Signatures of Officers.** If any of the officers or board members whose signatures or facsimile signatures appear on any of the Notes cease to be such officers or board members before delivery of the Notes, such signatures shall nevertheless be valid for all purposes the same as if said officers had remained in office until delivery, as provided in KRS 61.390.

**Section 602. Terms of Notes and this Loan Agreement May be Revised Before Issuance.** The Issuer reserves the right, prior to the issuance of the Notes, to amend this Loan Agreement as to the date, amount, maturities, redemption premiums and other provisions of the Notes, consistent with market conditions and other pertinent factors at the time of such issuance.

**Section 603. Covenant of Issuer to Take All Necessary Action To Assure Compliance with the Code.** In order to assure the Bank that the Notes shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the Issuer covenants to and with the Bank to take the following action:

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

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

(c) The Issuer further certifies that the Notes are not "private activity bonds" within the meaning of the Code.

(d) The Issuer covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the Issuer, upon the advice of Bond Counsel, that the construction account, or any other fund established in connection with the Notes, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Notes plus any income attributable to such excess, there shall be established a separate and special fund with the Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the

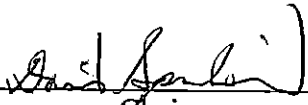
anniversary of the fifth (5th) year from the date of the Notes and once every five (5) years thereafter until the final retirement of the Notes; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Notes are deposited with any escrow agent. The Issuer further covenants to file any and all reports, if any, as may be required to be filed with the IRS with regard to the liability or non-liability of the Issuer as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

**Section 604. Severability Clause.** If any section, paragraph, clause or provision of this Loan Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Loan Agreement, which shall continue in full force and effect.

**Section 605. Captions of Clauses.** The captions and headings of this Loan Agreement are for convenience only and are not to be construed as part of this instrument nor as defining or limiting in any way the scope or intent of the provisions hereof.


IN TESTIMONY WHEREOF, witness the signatures of the parties hereto as of the date first hereinabove written.

HENDERSON COUNTY WATER DISTRICT

By   
Chairman

(Seal of Issuer)

Attest:

By   
Secretary

OLD NATIONAL BANK

By   
Market President



## **EXHIBIT A**

### **Project Description**

The Project consists of the acquisition of Neptune T-10 water meters and appurtenances.

**EXHIBIT B**

(FORM OF NOTE)  
UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
HENDERSON COUNTY WATER DISTRICT  
WATERWORKS REVENUE NOTE, SERIES 2015

No. 1

\$350,000

Maturity Date: December 2, 2025

Dated as of: December 2, 2015

KNOW ALL MEN BY THESE PRESENTS:

That the Henderson County Water District (the "Issuer"), a political subdivision of the Commonwealth of Kentucky, organized and existing pursuant to the laws of the Commonwealth of Kentucky, acknowledges itself to owe and for value received, hereby promises to pay to the order of

OLD NATIONAL BANK

the sum of

THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000)

and to pay principal and interest on said sum or the unpaid balance of advances made by the Bank (hereinafter defined) with interest on the unpaid principal balance at the Interest Rate (hereinafter defined), such payments to be in one hundred nineteen (119) equal monthly principal and interest installments of \$3,427.97, beginning January 2, 2016 and continuing through and including November 2, 2025, which are to be first applied to interest due hereon and the remainder to the outstanding unpaid principal, with the entire balance of principal and interest then due being payable on December 2, 2025, the Maturity Date set forth above. Interest shall be calculated on the actual number of days/an assumed 360 day year.

Payments on this Note are to be paid by check or by draft to the registered owner hereof, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at Old National Bank (the "Bank").

Advances may be made by the Bank, at the Bank's sole discretion, to the Issuer from time to time under this Note. Upon the disbursement of each such advance, the Bank shall record as part of its normal operations the making and amount of each such advance and repayment of amounts of principal made on this Notes. The aggregate amount of all advances made by the Bank, less the amounts of payment of principal made by the Issuer, shall be the principal amount outstanding under

this Note. The Bank's computer records shall be prima facie evidence of the unpaid amount of principal outstanding under this Note.

For the purpose of this Note the term "*Interest Rate*" shall mean a fixed rate of interest equal to 3.25% per annum.

This Note is one of a series of Henderson County Water District Waterworks Revenue Notes, Series 2015 (the "Notes") in the aggregate principal sum of Three Hundred Fifty Thousand Dollars (\$350,000), of like tenor and effect (except possibly as to numbering, maturities, interest rates, and provisions as to prior redemption), and this Note and the issue of which it forms a part, are issued under and secured by a Loan Agreement (the "Loan Agreement") dated as of December 2, 2015 executed by and between said Issuer and the Bank, executed counterparts of which are on file in the office of said Bank.

The Notes were authorized to be issued by the Issuer pursuant to Sections 74.280 through 74.310 of the Kentucky Revised Statutes and a duly adopted Resolution (the "Resolution"), which Resolution approved the execution of the Loan Agreement, for the purpose of defraying the cost of acquiring and installing new radio read meters (the "Project"), pursuant to and in full compliance with the laws of the Commonwealth of Kentucky.

The Notes do not constitute an indebtedness of the Issuer within the meaning of the Kentucky Constitution and are payable solely from and secured by a pledge of the revenues of the Issuer's waterworks system (the "System") after providing for the principal, interest and other requirements of the outstanding Prior Obligations and Prior Obligation Documentation (as such terms are defined in the Loan Agreement), and are issued without any preference, priority, or distinction whatsoever of the lien thereof in favor of any one or more of said Notes over any one or more of the others. Reference is hereby made to the Loan Agreement and the Resolution for a more particular description of the terms and conditions under which the Notes are issued, a more specific description of the Project, the revenues charged with and pledged for the payment of the Notes, the nature and extent of the security, the rights and duties of the Issuer, and the rights of the owners of the Notes with respect to such security, and for a statement of the manner, extent, conditions, and restrictions (a) under which the Loan Agreement may be modified, amended, and supplemented, (b) under which the lien of the Loan Agreement may be defeased as to these Notes prior to the maturity or redemption date thereof, and (c) under which upon the occurrence of an event of default, the System may be placed in receivership.

The Notes may be redeemed by the Issuer, at any time, prior to maturity, in whole or in part, without prepayment penalty.

In addition, the Notes are subject to mandatory redemption in whole, at any time, within one hundred eighty (180) days after the occurrence of a Determination of Taxability (as defined in the Loan Agreement), at a redemption price of one hundred percent (100%) of the aggregate principal amount of Notes outstanding plus accrued interest to the redemption date; provided however, that by the mutual agreement of the Issuer and the Bank, in lieu of the mandatory redemption of the

Notes the Interest Rate on the Notes would be subject to adjustment, by adjusting the added percentage to the Interest Rate, such that the Bank shall receive the same tax equivalent yield on the Notes as it was receiving prior to the Determination of Taxability.

All of the Notes as to which the Issuer reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date. Notice of such redemption may be waived with the written consent of the owner of the Note called for redemption.

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 Note, do exist, have happened and have been performed in due time, form and manner as required by law, and the Issuer, so long as the Notes remain outstanding, shall perform all duties imposed upon it by the Loan Agreement.

IN WITNESS WHEREOF, the Henderson County Water District has caused this Note to be executed on its behalf with the duly authorized reproduced manual or facsimile signature of its Chairman and its corporate seal to be hereunto affixed, and attested by its Secretary, and this Note is to be dated as of the date set forth above.

HENDERSON COUNTY WATER DISTRICT

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

Attest:

By \_\_\_\_\_  
Secretary

(Seal of Issuer)

**UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
HENDERSON COUNTY WATER DISTRICT  
WATERWORKS REVENUE NOTE, SERIES 2015**

No. 1

\$350,000

Maturity Date: December 2, 2025

Dated as of: December 2, 2015

KNOW ALL MEN BY THESE PRESENTS:

That the Henderson County Water District (the "Issuer"), a political subdivision of the Commonwealth of Kentucky, organized and existing pursuant to the laws of the Commonwealth of Kentucky, acknowledges itself to owe and for value received, hereby promises to pay to the order of

OLD NATIONAL BANK

the sum of

THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000)

and to pay principal and interest on said sum or the unpaid balance of advances made by the Bank (hereinafter defined) with interest on the unpaid principal balance at the Interest Rate (hereinafter defined), such payments to be in one hundred nineteen (119) equal monthly principal and interest installments of \$3,427.97, beginning January 2, 2016 and continuing through and including November 2, 2025, which are to be first applied to interest due hereon and the remainder to the outstanding unpaid principal, with the entire balance of principal and interest then due being payable on December 2, 2025, the Maturity Date set forth above. Interest shall be calculated on the actual number of days/an assumed 360 day year.

Payments on this Note are to be paid by check or by draft to the registered owner hereof, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at Old National Bank (the "Bank").

Advances may be made by the Bank, at the Bank's sole discretion, to the Issuer from time to time under this Note. Upon the disbursement of each such advance, the Bank shall record as part of its normal operations the making and amount of each such advance and repayment of amounts of principal made on this Notes. The aggregate amount of all advances made by the Bank, less the amounts of payment of principal made by the Issuer, shall be the principal amount outstanding under this Note. The Bank's computer records shall be prima facie evidence of the unpaid amount of principal outstanding under this Note.

For the purpose of this Note the term "*Interest Rate*" shall mean a fixed rate of interest equal to 3.25% per annum.

This Note is one of a series of Henderson County Water District Waterworks Revenue Notes, Series 2015 (the "Notes") in the aggregate principal sum of Three Hundred Fifty Thousand Dollars (\$350,000), of like tenor and effect (except possibly as to numbering, maturities, interest rates, and provisions as to prior redemption), and this Note and the issue of which it forms a part, are issued under and secured by a Loan Agreement (the "Loan Agreement") dated as of December 2, 2015 executed by and between said Issuer and the Bank, executed counterparts of which are on file in the office of said Bank.

The Notes were authorized to be issued by the Issuer pursuant to Sections 74.280 through 74.310 of the Kentucky Revised Statutes and a duly adopted Resolution (the "Resolution"), which Resolution approved the execution of the Loan Agreement, for the purpose of defraying the cost of acquiring and installing new radio read meters (the "Project"), pursuant to and in full compliance with the laws of the Commonwealth of Kentucky.

The Notes do not constitute an indebtedness of the Issuer within the meaning of the Kentucky Constitution and are payable solely from and secured by a pledge of the revenues of the Issuer's waterworks system (the "System") after providing for the principal, interest and other requirements of the outstanding Prior Obligations and Prior Obligation Documentation (as such terms are defined in the Loan Agreement), and are issued without any preference, priority, or distinction whatsoever of the lien thereof in favor of any one or more of said Notes over any one or more of the others. Reference is hereby made to the Loan Agreement and the Resolution for a more particular description of the terms and conditions under which the Notes are issued, a more specific description of the Project, the revenues charged with and pledged for the payment of the Notes, the nature and extent of the security, the rights and duties of the Issuer, and the rights of the owners of the Notes with respect to such security, and for a statement of the manner, extent, conditions, and restrictions (a) under which the Loan Agreement may be modified, amended, and supplemented, (b) under which the lien of the Loan Agreement may be defeased as to these Notes prior to the maturity or redemption date thereof, and (c) under which upon the occurrence of an event of default, the System may be placed in receivership.

The Notes may be redeemed by the Issuer, at any time, prior to maturity, in whole or in part, without prepayment penalty.

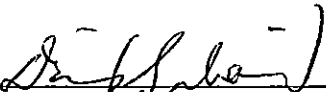
In addition, the Notes are subject to mandatory redemption in whole, at any time, within one hundred eighty (180) days after the occurrence of a Determination of Taxability (as defined in the Loan Agreement), at a redemption price of one hundred percent (100%) of the aggregate principal amount of Notes outstanding plus accrued interest to the redemption date; provided however, that by the mutual agreement of the Issuer and the Bank, in lieu of the mandatory redemption of the Notes the Interest Rate on the Notes would be subject to adjustment, by adjusting the added percentage to the Interest Rate, such that the Bank shall receive the same tax equivalent yield on the Notes as it was receiving prior to the Determination of Taxability.

All of the Notes as to which the Issuer reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date. Notice of such redemption may be waived with the written consent of the owner of the Note called for redemption.

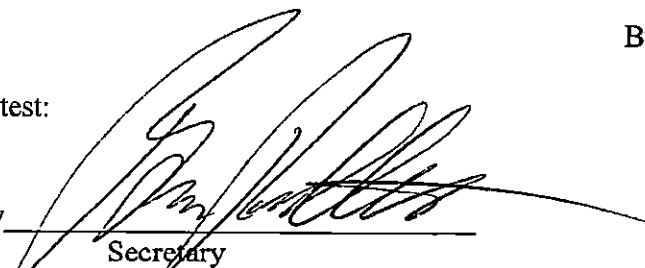
It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note, do exist, have happened and have been performed in due time, form and manner as required by law, and the Issuer, so long as the Notes remain outstanding, shall perform all duties imposed upon it by the Loan Agreement.

IN WITNESS WHEREOF, the Henderson County Water District has caused this Note to be executed on its behalf with the duly authorized reproduced manual or facsimile signature of its Chairman and its corporate seal to be hereunto affixed, and attested by its Secretary, and this Note is to be dated as of the date set forth above.

HENDERSON COUNTY WATER DISTRICT

By   
Chairman

Attest:

By   
Secretary

(Seal of Issuer)

