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February 3, 2015

Mr. Jeff Derouen, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED

FEB 8 2016

Public Service
Commission

Re: **Ohio County Water District PSC Case No. 2015-00044**

Dear Mr. Derouen:

Pursuant to the Order in the above referenced case, enclosed please find the executed Bond Resolution and Final Official Statement in connection with the Ohio County Water District Waterworks Refunding Revenue Bonds, Series 2015.

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By



W. Randall Jones

WRJ:jlm
Enclosures

RECEIVED

FEB 8 2016

Public Service
Commission

BOND RESOLUTION

OHIO COUNTY WATER DISTRICT

AUTHORIZING

**OHIO COUNTY WATER DISTRICT
WATERWORKS REFUNDING REVENUE BONDS
SERIES 2015**

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BOND RESOLUTION

A RESOLUTION OF THE OHIO COUNTY WATER DISTRICT, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF OHIO COUNTY WATER DISTRICT WATERWORKS REFUNDING REVENUE BONDS, SERIES 2015, DATED THE DATE OF INITIAL DELIVERY THEREOF, FOR THE PURPOSE OF REFINANCING CERTAIN OUTSTANDING OBLIGATIONS OF THE DISTRICT.

RECITALS:

1. The waterworks system (the "System") of the Ohio County Water District of Ohio County, Kentucky (the "District") is owned and operated by said District pursuant to Chapter 74 of the Kentucky Revised Statutes (the "Act"), and

2. The District has heretofore issued its Ohio County Water District Waterworks Revenue Bonds, Series 2003, dated November 1, 2003 (the "Series 2003 Bonds"), in the original principal amount of \$1,865,000, authorized by a Resolution enacted by the District on October 28, 2003, the proceeds of which Series 2003 Bonds were used to finance the installation of approximately 90,100 linear feet of 8 inch water main; 42,825 linear feet of 6 inch water main; and 45,960 linear feet of 4 inch water main in Ohio County, Kentucky with appurtenances.

3. The District has heretofore issued its Ohio County Water District Waterworks Revenue Bonds, Series 2010, in the original principal amount of \$8,200,000, consisting of \$7,000,000 of Series A Bonds and \$1,200,000 of Series B Bonds, dated June 15, 2011 (the "Series 2010 Bonds"), authorized by a Resolution enacted by the District on July 15, 2009 (the "2010 Bond Resolution").

4. In and by the 2010 Bond Resolution, the District reserved the right and privilege, under conditions and restrictions set out in the 2010 Bond Resolution, of issuing additional bonds from time to time, payable from the System's income and revenues, for the purpose among other things, of refunding or refinancing the outstanding Series 2003 Bonds, or any portion thereof, which conditions and restrictions are found to currently exist and prevail so as to permit the issuance of certain proposed additional bonds.

5. It is deemed necessary and advisable for the best interests of the District that the Board of Commissioners authorize the issuance and sale of \$965,000 (subject to adjustment) of Ohio County Water District Waterworks Refunding Revenue Bonds, Series 2015, dated the date of initial delivery thereof (the "Bonds"), to provide funds for the current refunding of the outstanding Series 2003 Bonds (the "Refunded Bonds"), and to reaffirm the conditions and restrictions whereunder similar bonds may be subsequently issued ranking on a parity therewith.

6. In proceedings before the Public Service Commission of Kentucky, the District has obtained, or will obtain prior to issuance of the Bonds, an order approving the issuance of the Bonds.

7. Under the provisions of Chapters 58 and 74 of the Kentucky Revised Statutes, the District is authorized to issue the Bonds to provide such funds for the purpose aforesaid.

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE OHIO COUNTY WATER DISTRICT OF OHIO COUNTY, KENTUCKY, AS FOLLOWS:

Section 1. Definitions.

As used in this Resolution, unless the context requires otherwise:

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

"*Authorized Denomination*" means \$5,000 or any integral multiple thereof provided that any amount shall be an Authorized Denomination if such amount results from the redemption of Bonds pursuant to this Resolution.

"*BAM*" means Build America Mutual Assurance Company, or any successor thereto.

"*Bond*" or "*Bonds*" refers to the Ohio County Water District Waterworks Refunding Revenue Bonds, Series 2015, dated the date of initial delivery thereof, authorized herein, and sold by the District pursuant to the provisions hereof.

"*Bond Counsel*" refers to a nationally recognized firm of Bond Counsel including the firm of Rubin & Hays, Louisville, Kentucky, which firm has prepared the legal proceedings for the issuance of the Bonds, has furnished all of the customary services of Bond Counsel in this financing and will continue to furnish such services until the Bonds are delivered and paid for, including the rendering of the final approving legal opinion with regard to the legality of the Bonds and the tax exemption of the interest thereon.

"*Bond Insurance Policy*" refers to a municipal bond insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on any Bonds.

"*Bond Insurer*" means any corporation, association or other entity that is engaged in the business, among other things, of insuring or guaranteeing the payment of the principal of and interest on municipal bond issues and, for the purposes of the Bonds, shall mean BAM and its successors.

"*Bond Register*" means the books and records maintained by the Bond Registrar as to the registered ownership and transfers of ownership of the Bonds from time to time.

"Bond Registrar" or *"Registrar"* or *"Paying Agent"* or *"Transfer Agent"* refers to the bank which will constitute the Bond Registrar and Paying Agent with respect to the Bonds, which bank will have the duties and responsibilities of (a) issuing semiannual checks in payment of interest requirements as to the Bonds, (b) paying the principal of same at maturity or applicable mandatory redemption or optional redemption prior to maturity upon surrender of the Bonds, (c) authenticating, issuing and delivering the Bonds to the original purchasers of same in accordance with the sale of the Bonds, at the direction of the District, (d) maintaining the Bond Register and (e) handling exchanges, cancellations, reissuance, redemption and all duties of a Bond Registrar, Paying Agent and Transfer Agent with respect to the Bonds, as hereinafter set out. The Bond Registrar, Paying Agent and Transfer Agent hereby designated is Branch Banking and Trust Company, provided, however, it is understood that the District reserves the right to designate a different instrumentality to perform any and all of such functions of Bond Registrar, Paying Agent and Transfer Agent as provided in Section 21 hereof.

"Bond Resolution" or *"Resolution"* refers to this Resolution authorizing the Bonds.

"Bond Resolution of 2003" or *"2003 Bond Resolution"* refers to the Resolution authorizing the Series 2003 Bonds, which Resolution was enacted by the District on October 28, 2003.

"Bond Resolution of 2010" or *"2010 Bond Resolution"* refers to the Resolution authorizing the Series 2010 Bonds, which Resolution was enacted by the District on July 15, 2009.

"Bond Year" means the one-year period beginning on August 1 and ending on the earlier of August 1 of each year or August 1, 2023.

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

"Certified Public Accountants" refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in affairs of the System and/or of other District financial matters. Until otherwise directed by the governing body of the District, such term shall be deemed to refer to Gilbert & Gilbert, P.S.C., Glasgow, Kentucky.

"Chairman" refers to the elected or appointed Chairman or Chairperson of the Commission.

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

"Commission" means the Board of Commissioners of the District or such other body as is the governing body of said District under the laws of Kentucky at any given time.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

"Depository Bank" refers to the bank in which the Funds referred to in this Resolution will be deposited and maintained, unless and until the District designates a different FDIC instrumentality or instrumentalities as the depositories for such Funds; and will at the date of this Resolution refer to Commonwealth Community Bank in Hartford, Kentucky.

"Depreciation Fund" refers to the Ohio County Water District Waterworks Depreciation Reserve Fund, described in Section 402 of the Bond Resolution of 2010.

"District" refers to the Ohio County Water District of Ohio County, Kentucky.

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

"Financial Advisor" refers to J.J.B. Hilliard, W.L. Lyons, LLC, a Kentucky corporation, 500 West Jefferson Street, Louisville, Kentucky 40202.

"First Lien Sinking Fund" refers to the Ohio County Water District Waterworks First Lien Sinking Fund, which will be maintained for the benefit of all of the Bonds.

"Fiscal Year" refers to the annual accounting period of the District, beginning on January 1, and ending on December 31, of each year.

"Funds" refers to the Revenue Fund, the First Lien Sinking Fund, the Second Lien Sinking Fund, Depreciation Fund and the Operation and Maintenance Fund.

"Insured Obligations" means the Bonds.

"Interest Payment Date" means February 1 and August 1 of each year, commencing August 1, 2015.

"KIA Loan" refers to the loan from the Kentucky Infrastructure Authority to the District, dated August 1, 2009, Project Number F08-08, the proceeds of which were used for the construction of the new water treatment plant.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The District of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by

JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base-lending rate of such other bank, banking association or trust company as the Bond Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Bond Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Operation and Maintenance Fund" refers to the Ohio County Water District Waterworks Operation and Maintenance Fund, described in Section 401 of the Bond Resolution of 2010.

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

"Outstanding", when used as of any particular time with reference to the Bonds, means all Bonds delivered by the Bond Register under this Bond Resolution except (1) Bonds cancelled by the Bond Register or surrendered to the Bond Register for cancellation; (2) Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 19, and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Register pursuant to this Bond Resolution.

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

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository and for whom the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

"Permitted Investments" refers to the following:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in the Commonwealth of Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- i. United States Treasury;

- ii. Export-Import Bank of the United States;
- iii. Farmers Home Administration;
- iv. Government National Mortgage Corporation; and
- v. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

- i. Federal Home Loan Mortgage Corporation;
- ii. Federal Farm Credit Banks;
- iii. Bank for Cooperatives;
- iv. Federal Intermediate Credit Banks;
- v. Federal Land Banks;
- vi. Federal Home Loan Banks;
- vii. Federal National Mortgage Association; and
- viii. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated on one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics:

- i. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

- ii. The management company of the investment company shall have been in operation for at least five (5) years; and
- iii. All of the securities in the mutual fund shall be eligible investments under this section.

Investments in the above instruments are subject to the following conditions and limitations:

(a) The amount of money invested at any time by a local government or political subdivision in one (1) or more of the categories of investments authorized by subsection (e), (f), (g), and (i) of this definition shall not exceed twenty percent (20%) of the total amount of money invested by the local government; and

(b) No local government or political subdivision shall purchase any investment authorized herein on a margin basis or through the use of any similar leveraging technique.

"Purchasers" refers to the original purchasers of the Bonds at the public sale, including all members of their purchasing syndicate or group.

"Record Date" means with respect to any Interest Payment Date, the close of business on January 15 or July 15, as the case may be, next preceding such Interest Payment Date, whether or not such January 15 or July 15 is a business day.

"Refunded Bonds" refers to the outstanding Series 2003 Bonds, which are to be currently refunded by the proceeds of the Bonds.

"Refunding Program" refers to the current refunding of the outstanding Series 2003 Bonds by the proceeds of the Bonds.

"Reserve Requirement" means an amount, as of any particular date of computation, equal to the lesser of (i) 10% of the proceeds of the Bonds, (ii) 100% of the greatest amount required in the then current or any future Bond Year to pay the principal and interest requirements on the Outstanding Bonds, or (iii) 125% of the average of the annual principal and interest requirements on the Outstanding Bonds.

"Revenue(s)" refers to the income and revenue of the System including rents, royalties, fees and proceeds of sales of property and from rates and charges for services derived from or rendered by the System, as described in KRS 58.070.

"Revenue Fund" refers to the Ohio County Water District Waterworks Revenue Fund, which will be maintained for the benefit of all of the Bonds.

"Second Lien Sinking Fund" refers to the Ohio County Water District Waterworks Second Lien Sinking Fund, which will be maintained for the benefit of the KIA Loan and the Series 2010 Bonds.

"Secretary" refers to the elected or appointed Secretary of the Commission.

"Security Documents" shall mean this Bond Resolution, the Bonds and/or any additional or supplemental document executed in connection with the Insured Obligations.

"Series 2003 Bonds" refers to the Ohio County Water District Waterworks Revenue Bonds, Series 2003, dated November 1, 2003, in the original principal amount of \$1,865,000.

"Series 2010 Bonds" refers to the Ohio County Water District Waterworks Revenue Bonds, Series 2010 in the principal amount of \$8,200,000, consisting of \$7,000,000 of Series A Bonds and \$1,200,000 of Series B Bonds, dated June 15, 2011.

"Superintendent" refers to the superintendent and/or general manager of the District.

"System" refers to the existing waterworks system of the District, together with all extensions, additions and improvements to said System.

"Term Bonds" refers to the Bonds, if any, which are required to be mandatorily redeemed in accordance with the schedule set out in the Sale Certificate executed by the Chairman as provided in Section 11.

"Treasurer" refers to the elected or appointed Treasurer of the Commission.

"U.S. Obligations" means non-callable, direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) and obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America.

Section 2. Reaffirmation of Declaration of Waterworks System.

That all proceedings heretofore taken for the establishment of and the supplying of water service in and to the District as a water system are hereby in all respects ratified and confirmed; and so long as there are any Outstanding Bonds, said System will be owned, controlled, operated and maintained by the Commission for the security and source of payment of the Outstanding Bonds. The Refunding Program is hereby declared to constitute a public project within the meaning and application of the Act.

Section 3. Authorization of Bonds; Place of Payment; Manner of Execution.

That pursuant to the Constitution and laws of the Commonwealth of Kentucky, and particularly the Act, there are hereby authorized to be presently issued and sold \$965,000 (plus up to \$96,000 or minus in any amount) principal amount of Ohio County Water District Waterworks Refunding Revenue Bonds, Series 2015, dated the date of initial delivery thereof,

for the purpose of providing funds for the current refunding of the Refunded Bonds. The Bonds will mature on August 1, 2015 through August 1, 2023, in such principal amounts, and shall bear interest payable on the Interest Payment Date, at an interest rate or rates to be fixed by the District as a result of the advertised sale of the Bonds.

The principal of, redemption price, if any, and interest on the Bonds will be payable in lawful money of the United States of America. Principal of or redemption price of the Bonds is payable upon surrender thereof at the designated corporate trust office of the Paying Agent and Transfer Agent for the Bonds as hereinafter provided. Interest on the Bonds will be paid by check by said Paying Agent to each registered Bondholder of the Bonds as of the fifteenth day of the month preceding each Interest Payment Date on the Bonds and mailed to each such Bondholder at the address appearing on the Bond Register maintained by the Bond Register.

Subject to the provisions of this Section, (i) the principal of and any premium on any Bond will be payable when due (a) on any Bond held in a book-entry system, registered in the name of a Depository or its nominee, in next day or federal funds by check or wire transfer delivered or transmitted to the Depository or its authorized representative upon presentation and surrender of such Bond at the designated corporate trust office of the Paying Agent, and (b) on any Bond not in a book-entry system, to a Bondholder upon presentation and surrender of such Bond at the designated corporate trust office of the Paying Agent, and (ii) interest on any Bond will be paid on each Interest Payment Date (a) on any Bond held in a book-entry system, registered in the name of a Depository or its nominee, in next day or federal funds by check or wire transfer delivered or transmitted to the Depository or its authorized representative and (b) on any Bond not in a book-entry system, to the Person in whose name the Bond is registered at the close of business on the Record Date applicable to that Interest Payment Date on the Register at the address appearing therein by check or draft which the Paying Agent shall cause to be mailed on the Interest Payment Date such interest is due.

Anything herein to the contrary notwithstanding, in the case of any Bonds registered in the name of the Depository or its nominee, the Paying Agent shall comply with the requirements stated in the Depository Operational Arrangements memorandum dated June 29, 1987 (as it may be amended, modified or superseded) and with the provisions of the Letter of Representations from each of them to the Depository executed and delivered with respect to the Bonds. Specifically, the Paying Agent shall make payments on the Bonds and will provide notices of redemption to the Depository in the manner and at the times set forth in such memorandum and shall regard the Depository as the Bondholder of such Bonds for all purposes hereunder, except for the purpose of giving any consent requested of Bondholders pursuant to this Resolution, in which case the Depository will mail an Omnibus Proxy to the District which assigns the Depository's or its nominee's voting rights to the participants in the Depository having the Bonds credited to their accounts as of the record date for mailing of requests for consents (who are identified in a list attached to the Omnibus Proxy). The District agrees hereby to promptly provide the Omnibus Proxy to the Paying Agent, which shall then treat the Participants as Bondholders for purposes of obtaining such consents.

The Bonds will be issuable as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. The fully registered Bonds will be lettered "R" and will be numbered consecutively from 1 upward.

The Bonds will be executed on behalf of the District, with the duly authorized reproduced facsimile signature of the Chairman, attested by the reproduced facsimile signature of the Secretary; and said officials, by the execution of appropriate certifications, will adopt as and for their own proper signatures, their respective facsimile signatures on said Bonds; provided the Authentication Certificate of Bond Registrar must be executed by the manual signature of the Bond Registrar on each Bond before such Bond will be valid and obligatory.

Pending the preparation of the definitive Bonds, the District may execute and, upon the District's request, the Bond Registrar shall authenticate and deliver, one or more temporary Bonds which may be printed, lithographed, typewritten, mimeographed or otherwise reproduced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, in registered form, and with such appropriate insertions, omissions, substitutions and other appropriate and necessary variations as to officers of the District executing such temporary Bonds may determine, as evidenced by their signing such temporary Bonds.

Until exchanged for Bonds in definitive form, such temporary Bonds will be entitled to the benefit and security of this Resolution. The District will, without unreasonable delay, prepare, execute and deliver printed Bonds to the initial purchasers thereof and/or their designees, and thereupon, upon the presentation and surrender of the temporary Bonds, such printed Bonds will be delivered to such initial purchasers and/or their designees in exchange therefor. Such exchange shall be made without the making of any charge therefor to any Bondholder.

Section 4. Exchange and Transfer of Bonds.

The Bonds will be exchangeable and transferable upon the presentation and surrender thereof at the designated corporate trust office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered Bondholder or such Bondholder's authorized representative, for a Bond or Bonds of the same maturity and interest rate and in the denomination of \$5,000 and/or a multiple thereof within a single maturity, in an aggregate principal amount or amounts equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Bond Registrar shall be and is hereby authorized to authenticate and deliver exchange Bonds in accordance with the provisions of this Section 4. Each exchange Bond delivered in accordance with this Section 4 will constitute an original contractual obligation of the District and will be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered. The Bond Registrar will not be obligated to transfer or exchange any Bond (a) during any period beginning five (5) days prior to the selection by the Bond Registrar of Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of any such redemption, or (b) if such Bond has been selected or called for redemption in whole or in part.

In the event of non-payment of interest on one or more maturities of the Bonds on a scheduled Interest Payment Date, and for thirty (30) days thereafter, a new record date for such interest payment for such maturity or maturities ("Special Record Date") will be established by the Bond Registrar, if and when funds for the payment of such interest will have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date"), which will be fifteen (15) days after the Special Record Date, will be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address as shown on the register of Bonds maintained by the Bond Registrar of each Bondholder of such maturity or maturities appearing on the books of the Bond Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Section 5. Provisions as to Mandatory and Optional Redemption.

(a) *Mandatory Redemption of Term Bonds.* The Term Bonds, if any, must be mandatorily redeemed on August 1 in each of the respective years set forth in the mandatory redemption schedule set forth in the Sale Certificate executed by the Chairman as provided in Section 11. The Term Bonds to be so redeemed will be selected by the Bond Registrar by lot in such manner (including the determination of whether such redemption in any given year will be on August 1) as may be determined in the discretion of the Bond Registrar. Such Term Bonds due will be so mandatorily redeemed at 100% of the aggregate principal amounts specified in the Sale Certificate for each year plus accrued interest to the respective dates of mandatory redemption.

At the option of the District, to be exercised at least 45 days prior to the date for application of the mandatory redemption of the Term Bonds, if any, the District may receive a credit against the mandatory redemption requirement for Term Bonds subject to the application of such mandatory redemption requirement which, prior to the date for application of such requirement (and for which a credit has not previously been taken) (i) have been redeemed other than through the application of such mandatory redemption procedure, and cancelled by the Bond Registrar, or (ii) have been delivered to the Bond Registrar by the District for cancellation.

(b) *Optional Redemption.* The Bonds are not subject to optional redemption by the District prior to their stated maturities.

(c) *Redemption of less than a Single Bond.* In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof, if the Bond is one of the maturities or amounts or part of the maturities or amounts called for redemption. Upon surrender of any Bond for redemption in part, the Bond Registrar will authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

(d) *Notice and Effect of Call for Redemption.* The Paying Agent is to give notice of redemption by first class mail, postage prepaid, mailed not less than 25 nor more than 45 days prior to the redemption date to each Bondholder to be redeemed or tendered at the address of

such Bondholder appearing in the Bond Register, and also to such other Persons as the District deems appropriate.

Neither the failure of any Bondholder to receive notice mailed as provided herein nor any defect in notice so mailed shall affect the validity of the proceedings for redemption in accordance herewith.

All notices of redemption shall state:

- (i) the redemption date;
- (ii) the redemption price (including premium, if any);
- (iii) the name of the Bonds to be redeemed, the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
- (iv) the reason for the redemption;
- (v) that on the redemption date, the redemption price of each such Bond will become due and payable, that interest on each such Bond shall cease to accrue on and after such date, and that each such Bond will be deemed to have been redeemed;
- (vi) the place or places where such Bonds must be surrendered for payment of the redemption price thereof; and
- (vii) such additional information as the District or the Paying Agent shall deem appropriate.

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed will become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the District shall default in the payment of the redemption price) such Bonds will cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the redemption price thereof.

If any Bond called for redemption is not so paid upon surrender thereof for redemption, the redemption price and, to the extent lawful, interest thereon shall, until paid, bear interest from the redemption date at the rate borne by that Bond immediately before the redemption date.

Any Bond which is to be redeemed only in part shall be surrendered to the Paying Agent (with, if the Paying Agent so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Paying Agent duly executed by the Bondholder thereof or its attorney duly authorized in writing) and the appropriate officers of the District shall execute and the Paying Agent shall authenticate and deliver to the Bondholder of such Bond, without service charge to the Bondholder, a new Bond or Bonds of any Authorized Denomination or Authorized Denominations, as requested by such Bondholder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

Section 6. Mutilated, Lost, Stolen or Destroyed Bonds.

If any Bond is mutilated, lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond of like maturity and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond must first be surrendered to the Bond Registrar, and in the case of any lost, stolen or destroyed Bond, there must be first furnished to the Bond Registrar satisfactory evidence of the ownership of such Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Bond Registrar. If any such Bond has matured, the Paying Agent may pay the same instead of issuing a new Bond. The District and/or the Bond Registrar may charge the Bondholder of such Bond its (their) reasonable fees and expenses in this connection.

Section 7. Authentication of Bonds.

The Bonds, after being printed, will be delivered to the Bond Registrar. No Bond will be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until such Bond has been duly authenticated by the Bond Registrar by the execution of the Authentication Certificate (the "Certificate") of Bond Registrar appearing on such Bond. The Certificate appearing on any Bond will be deemed to have been duly executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar. It will not be required that the same officer of the Bond Registrar sign the Certificate on all of the Bonds.

The District will deliver or cause to be delivered to the Bond Registrar a sufficient quantity of Bonds to enable the Bond Registrar to hold a quantity of Bonds, after the initial delivery of the authorized issue of the Bonds for future authentication and exchange for such Bonds as may be exchanged and transferred from time to time.

Section 8. Bonds Payable Out of Revenues of the System.

All of the Bonds, together with the interest thereon and such additional bonds ranking on a parity therewith heretofore issued and outstanding and as may be hereafter issued and outstanding from time to time under the conditions and restrictions hereinafter set forth, will be secured by and payable out of the Revenues of the System, before providing for the principal and interest requirements of the KIA Loan and Series 2010 Bonds.

Section 9. KIA Loan and Series 2010 Bonds are Subordinate to the Bonds.

It is hereby certified and declared that the KIA Loan and Series 2010 Bonds will be subordinate to the lien and pledge of the Bonds on the Revenues of the System.

Section 10. Bond Form.

The Bonds will be substantially in the form attached hereto as Exhibit A.

Section 11. Sale of Bonds.

The Bonds will be sold at public sale immediately after public advertisement as required by Chapter 424 of the Kentucky Revised Statutes, and the Chairman and the Secretary are authorized and directed to make such advertisement of a Notice of Bond Sale in such form as

may be prepared by Bond Counsel and as may be recommended by the Financial Advisor to the District.

Bids must be received in the office of the District and the Superintendent will accept the successful bid for the Bonds, determine the exact principal amount, principal maturities and rates of interest which the Bonds will bear, provided that the net interest cost on the Bonds will not exceed 6%, and the principal amount, principal maturities and interest rates of the Bonds will be automatically fixed at the principal amount, principal maturities and interest rates set out in the successful bid accepted by the Superintendent, without the necessity of any further action by the Chairman or the Commission fixing the principal amount, principal maturities and interest rates.

Forms of "Notice of Bond Sale," "Official Terms and Conditions of Sale of Bonds" and "Bid Form" in substantially the forms attached hereto as Exhibits B, C and D, are hereby approved. The Notice of Bond Sale will be used for the purpose of publishing notice of the sale of the Bonds. Copies of the Official Terms and Conditions of Sale of Bonds and Bid Form will be furnished to a list of interested bidders and to any interested parties who may request them.

If for any reason it is determined that no bid should be accepted when the Bonds are first offered for public sale, then, upon recommendation of the Financial Advisor for the District, the Chairman is authorized to re-advertise, if required, the Bonds for public sale and to approve a revised Notice of Bond Sale, Bid Form and Official Terms and Conditions of Sale of Bonds, and to distribute them to prospective bidders, without the necessity of the Commission taking any further action or granting any further authority for such proceedings.

Upon the date and at the hour set forth for the opening and consideration of purchase bids, as provided in the instruments hereinabove approved, the sealed bids received by the Superintendent will be publicly opened and publicly read by the Superintendent. If there are one or more bids that conform in all respects to the prescribed terms and conditions, the Superintendent will, on the same day that such bids are received or as soon thereafter as reasonably possible, reject all bids or accept the best of such bids, as measured in terms of the lowest net interest cost to the District, as calculated in the manner prescribed in the "Official Terms and Conditions of Sale of Bonds," as is deemed in the best interest of the District.

If the Superintendent accepts a purchase bid for the Bonds, the Superintendent will execute a sale certificate (the "Sale Certificate") to that effect, supply proper evidence of such acceptance to the bidder submitting the accepted bid, and thereupon arrangements will be made for the Bonds to be printed and delivered in accordance therewith and with the Official Terms and Conditions of Sale of Bonds. The proceeds of the sale of said Bonds will be used only for the purposes herein described.

Section 12. Ratification of 2010 Bond Resolution; Flow of Funds.

(a) There is hereby created and established in this Resolution the following funds or accounts, which are designated and maintained at the Depository Bank:

- (1) Ohio County Water District Waterworks Revenue Fund (the "Revenue Fund").
 - (2) Ohio County Water District Waterworks First Lien Sinking Fund (the "First Lien Sinking Fund").
 - (3) In a separate account within the First Lien Sinking Fund the Ohio County Water District Waterworks Debt Service Reserve Account (the "Debt Service Reserve Account").
 - (4) Ohio County Water District Waterworks Second Lien Sinking Fund (the "Second Lien Sinking Fund").
- (b) There was heretofore created in the 2010 Bond Resolution, the following funds:
- (1) Ohio County Water District Waterworks Depreciation Reserve Fund (the "Depreciation Fund").
 - (2) Ohio County Water District Waterworks Operation and Maintenance Fund (the "Operation and Maintenance Fund").
- (c) The establishment and continued use of the foregoing funds is hereby ratified, confirmed and approved.
- (d) Moneys deposited into such funds shall be maintained, invested and applied by the Depository Bank in the following manner:

(1) *Revenue Fund.* The System will continue to be operated as a revenue-producing public project or System and will be operated for the purpose of this Resolution on a Fiscal Year basis or such other appropriate fiscal year as is designated by the Commission, and all of the Revenues of the System is to be set aside into the Revenue Fund from which fund sums deposited therein will be apportioned to the various funds and accounts as set out in the ensuing subsections of this Section.

(2) *First Lien Sinking Fund.* There shall be transferred on or before the 20th day of each month from the Revenue Fund and deposited into the First Lien Sinking Fund, to be apportioned as hereinafter set out:

(i) A sum equal to one-sixth (1/6) or such lesser or greater amount necessary to accumulate an amount to pay the next succeeding interest installment to become due on the Outstanding Bonds; plus

(ii) A sum equal to one-twelfth (1/12) or such lesser or greater amount necessary to accumulate an amount to pay the principal of the Outstanding Bonds on the next succeeding principal payment date.

(iii) There shall be deposited in each month into the Debt Service Reserve Account an amount equal to at least 1/12 of the Reserve Requirement until such Reserve Requirement shall have been accumulated; provided, however, that the foregoing requirement for monthly deposits into this account is be considered satisfied so that no deposit will be required to be made into that account so long as the amount on deposit therein equals the Reserve Requirement. The amounts on deposit representing the Reserve Requirement shall be held for the benefit of the Bondholders and shall be used solely for the purpose of paying principal of or interest on such Bonds as to which there would otherwise be a default.

Amounts on deposit in the First Lien Sinking Fund shall be caused by the District to be withdrawn and transferred from the Depository Bank to the Paying Agent on or before the third (3rd) business day prior to each Interest Payment Date, in an amount sufficient to pay the next succeeding interest installment due on the Outstanding Bonds plus any principal due on the Outstanding Bonds.

Provided that in the event that any funds are withdrawn from the Debt Service Reserve Account, the District will be obligated to transfer funds from the Revenue Fund to the Debt Service Reserve Account in each month in an amount equal to at least 1/12 of the Reserve Requirement until the Reserve Requirement has been restored.

Amounts on deposit in the Debt Service Reserve Account may be withdrawn and used by the District, when necessary, and will be so withdrawn and used if and to the extent necessary to make payments of principal of and interest on the Bonds (including both principal maturities and mandatory redemptions) if the amounts on deposit in the First Lien Sinking Fund are not sufficient to make such payments.

Provided, however, that no further payments need be made into the First Lien Sinking Fund after and so long as such amount of the Bonds have been retired that the amount then held in the First Lien Sinking Fund, including the Debt Service Reserve Account, is equal to the entire amount required to retire and/or redeem all Bonds and paying all interest that will accrue to or at the time of such retirement and/or redemption.

If for any reason the District fails to pay into the First Lien Sinking Fund the amount required to be paid into the First Lien Sinking Fund in any month, then an amount equal to such deficiency shall be set apart from the Revenues of the System and paid into the First Lien Sinking Fund from the first available Revenues.

All amounts on deposit in the First Lien Sinking Fund will constitute a trust fund and are hereby earmarked and pledged for the security and source of payment for the Outstanding Bonds.

As and when additional Parity Bonds are issued, provision shall be made similarly for increasing the Debt Service Reserve Account, if necessary, and to the extent not fully funded concurrently with the issuance of the Parity Bonds, to not less than the Reserve Requirement applicable to all Outstanding Bonds.

(3) *Second Lien Sinking Fund.* After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Second Lien Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the KIA Loan and Series 2010 Bonds, a sum equal to the total of the following:

(i) A sum equal to one-sixth (1/6) or such lesser or greater amount necessary to accumulate an amount to pay the next succeeding interest installment to become due on the KIA Loan and Series 2010 Bonds; plus

(ii) A sum equal to one-twelfth (1/12) or such lesser or greater amount necessary to accumulate an amount to pay the principal of the KIA Loan and Series 2010 Bonds on the next succeeding principal payment date.

The Second Lien Sinking Fund is hereby pledged for the payment of the interest and the principal of the KIA Loan and Series 2010 Bonds, but subject to the vested rights and priorities of the Outstanding Bonds.

Provided, however, that no further payments need be made into the Second Lien Sinking Fund after and so long as such amount of the KIA Loan and Series 2010 Bonds will have been retired that the amount then held in the Second Lien Sinking Fund is equal to the entire amount required to retire and/or redeem the KIA Loan and Series 2010 Bonds and paying all interest that will accrue to or at the time of such retirement and/or redemption.

All amounts on deposit in the Second Lien Sinking Fund will constitute a trust fund and are hereby earmarked and pledged for the security and source of payment for the KIA Loan and Series 2010 Bonds.

(4) *Depreciation Fund.* Pursuant to the provisions of the 2010 Bond Resolution, there shall next be transferred from the Revenue Fund a sum sufficient, each month, to maintain a balance in said Depreciation Fund of at least the sum required by the 2010 Bond Resolution, which shall be deposited into the Depreciation Fund. Moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, in accordance with the provisions of Section 402 of the 2010 Bond Resolution.

(5) *Operation and Maintenance Fund.* So long as any Bonds, the KIA Loan and the Series 2010 Bonds remain outstanding and unpaid, there shall continue to be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in

the Revenue Fund, after making the transfers required by Subsections (1), (2), (3), and (4) above, which are cumulative, sufficient funds to meet the current expenses of operating and maintaining the System, and to accrue an operation and maintenance reserve equal to estimated requirements for a three-month period pursuant to the annual budget for the System.

(6) *Surplus Balances in the Revenue Fund.* If and whenever, on January 1 of any year, all specified and required transfers and payments into the special funds hereinabove provided have been made and there is a balance on deposit in the Revenue Fund in excess of the amount required to be transferred during the ensuing two months of the ensuing Fiscal Year into said special funds, all or any part of such excess may, within 60 days after such January 1, be used as follows:

(i) To retire or redeem Outstanding Bonds in inverse order of maturities in accordance with the terms thereof;

(ii) To purchase Bonds at the sole option and discretion of the District, at a price not to exceed the then applicable or next applicable redemption price of such respective series of bonds;

(iii) To transfer additional amounts to the Debt Service Reserve Account, the Operation and Maintenance Fund and/or the Depreciation Fund;

(iv) To pay the debt service requirements of any outstanding subordinate obligations payable from the Revenues of the System; or

(v) For any other lawful corporate purpose of the District related solely to the System.

Section 13. Disposition of Proceeds of the Bonds.

Upon the sale and delivery of the Bonds and upon receipt by the District of the purchase price thereof, the proceeds shall be applied as follows:

(a) There shall first be deducted and paid from the proceeds of the sale of the Bonds the fee of the Financial Advisor according to the terms of the contract of said Financial Advisor, as heretofore approved, the fee of Bond Counsel, for their services as Bond Counsel with reference to the issuance of the Bonds, any applicable rating agency fee or fees, and any other pertinent expenses incident to the issuance, sale and delivery of the Bonds and such other appropriate expenses as may be approved by the Chairman.

(b) There shall next be transferred to The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, the paying agent for the Refunded Bonds, proceeds of the Bonds in an amount necessary:

- (i) To pay the interest on the Refunded Bonds to and including the earliest date after the closing date of the Bonds upon which the Refunded Bonds can be redeemed prior to maturity; and
- (ii) To redeem on the earliest date after the closing date of the Bonds upon which the Refunded Bonds can be redeemed prior to maturity at a price equal to 100% of principal amount the Refunded Bonds that as of that date have not been redeemed, retired or otherwise paid, thereby defeasing the pledge of revenues and the property securing the Refunded Bonds.

(c) Pending disbursement for the authorized purposes, the proceeds of the Bonds will be subject to a first and paramount lien and charge in favor of the Bondholder and for their further security, and shall be invested by the Paying Agent as directed by the Chairman or the Treasurer, who are jointly and severally charged with the responsibility for issuing the Bonds, in Permitted Investments.

The investment of funds shall be made by the Paying Agent upon and at the direction of the District. The investment of funds may be made or transacted by the Paying Agent through the Paying Agent's, or its affiliates', investment department.

Section 14. Arbitrage Limitations.

(a) The District covenants that neither the proceeds of the Bonds, nor "Non-Exempt Revenues" of the System, as defined herein, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Bonds, if such investment would cause such Bonds 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 and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Bonds to be treated as "arbitrage bonds."

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

(1) amounts deposited in the First Lien Sinking Fund or Second Lien Sinking Fund for the purpose of paying debt service on any Bonds, the KIA Loan, or the Series 2010 Bonds, respectively, within thirteen (13) months from the date of deposit;

(2) amounts deposited in the Debt Service Reserve Account portion of the First Lien Sinking Fund to the extent that such deposits do not cause the amount deposited therein attributable to the prior Outstanding Bonds to exceed the maximum annual debt service for principal and interest on such bonds, nor cause the amount deposited therein attributable to the Bonds to exceed the lesser of maximum annual debt service on the Bonds, or 125% of the average annual debt service on the Bonds, or 10%

of the total issued principal amount of the Bonds; provided that if, and whenever federal arbitrage regulations are revised to permit a limit larger than such amount, such limit shall be considered to be automatically increased, eliminated or otherwise revised as to the Outstanding Bonds, consistent with such revision of the Code;

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

(c) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set out in Section 14(a) above.

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

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

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

(3) That it is expected and contemplated that the District 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 Bonds will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts on deposit in the First Lien Sinking Fund and Second Lien Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the Outstanding Bonds, KIA Loan and Series 2010 Bonds, respectively.

(5) That amounts accumulated in the Debt Service Reserve Account portion of the First Lien Sinking Fund shall not exceed the limitations set forth in this Resolution.

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

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

Section 15. Bank Eligibility and Rebate Provisions.

The District hereby certifies that it does not reasonably anticipate issuing "qualified tax-exempt obligations" during the calendar year in which the Bonds are being issued in excess of \$10,000,000, and, therefore, the District does hereby designate the Bonds as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

The District covenants and agrees that in the event it is subsequently determined by the District, upon advice of nationally recognized bond counsel, that the First Lien Sinking Fund, or any other fund established under this Resolution, is subject to rebate requirements and generates 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 Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Paying Agent to be designated as the "Ohio County Water District Waterworks 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 until the final retirement of the Bonds; the 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 Bonds are deposited with the Paying Agent or any escrow agent.

Section 16. Parity Bonds; Inferior Bonds.

(a) The Bonds authorized or permitted to be issued hereunder and from time to time outstanding will not be entitled to priority one over the other in the application of the Revenues of said System regardless of the time or times of their issuance, it being the intention that there will be no priority among the Bonds authorized or permitted to be issued under the provisions of this Resolution regardless of the fact that they may be actually issued and delivered at different times; provided, however, that the District hereby reserves the right and privilege of issuing additional Parity Bonds from time to time payable from the Revenues of said System, ranking on a parity with the Bonds herein authorized, in order to pay the costs of further additions, extensions and improvements to said System, subject to the following restrictions and conditions.

(1) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their Revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(2) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

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

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

(i) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(ii) any increase in the annual net Revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments are based upon and included in a certification of an Independent Consulting Engineer.

(b) The District further reserves the right to issue one or more additional series of Parity Bonds, for the purpose of refunding or refinancing the Outstanding Bonds, or any portion thereof, provided that prior to the issuance of such bonds for that purpose, there will have been procured and filed with the Secretary a statement by a Certified Public Accountant reciting the opinion based upon necessary investigation that:

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

(2) in the alternative, that the debt service requirements for the Outstanding Bonds payable out of the First Lien Sinking Fund and the proposed Parity Bonds, in any year of maturities thereof after the redemption of the Outstanding Bonds scheduled to be

refunded through the issuance of such proposed Parity Bonds, does not exceed the scheduled debt service requirements applicable to the Bonds then outstanding for any corresponding year prior to the issuance of such proposed Parity Bonds and the redemption of any of the Outstanding Bonds to be refunded.

Section 17. Rate Covenant.

While the Bonds remain outstanding and unpaid, the District covenants to charge for all services and facilities rendered by the System to the District and to its citizens, corporations, or others requiring same, such rates and amounts as are reasonable and just, taking into account and consideration the cost and value of the System, the cost of maintaining and operating the same, the proper and necessary allowance for depreciation thereof, and the amounts necessary for the retirement of all Bonds outstanding against the System and the accruing interest on all such Bonds, and any inferior Bonds. There shall be charged such rates and amounts as are adequate to meet all requirements of the 2010 Bond Resolution and this Bond Resolution and the District covenants not to furnish service from the System free of charge and not to establish preferential rates for users of the same class; provided, however, the District may itself be provided free service for public purposes.

The District further covenants that so long as any of the Bonds remain outstanding and unpaid that such rates and charges for services of the System will be imposed and collected so that the Revenues of the System will be sufficient to provide for all expenses of operation, repair and maintenance of the System and produce a balance in each Fiscal Year equal to not less than 1.20 times the amount required in such Fiscal Year to be paid into the First Lien Sinking Fund for average annual debt service requirements of the Bonds, and to enact promptly and enforce increased rates whenever such increase as will be necessary to fulfill any covenants of or payments required by this Bond Resolution.

Section 18. All Bonds of this Issue Are Equal.

The Bonds authorized and permitted to be issued hereunder, and from time to time outstanding, will not be entitled to priority one over the other in the application of the Revenues of the System regardless of the time or times of their issuance, it being the intention that there will be no priority among the Bonds authorized or permitted to be issued under the provisions of this Resolution, regardless of the fact that they may be actually issued and delivered at different times.

Section 19. Defeasance and/or Refunding of Bonds.

The District reserves the right, at any time, to cause the pledge of the Revenues securing the Outstanding Bonds to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in U.S. Obligations to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such Outstanding Bonds, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the Outstanding Bonds to and on said date, or (b) to pay all principal and interest requirements on the Outstanding

Bonds as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Commission. Such U.S. Obligations will have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the District shall take all steps necessary to publish the required notice of the redemption of the Outstanding Bonds and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

At least 5 Business Days prior to any defeasance, the District shall deliver to the Bond Insurer copies of an escrow agreement, opinions regarding the validity and enforceability of the escrow agreement, a verification report (a "Verification Report") of a nationally recognized independent financial analyst or firm of certified public accountants regarding sufficiency of the escrow and a defeasance legal opinion. Such opinions and Verification Report shall be addressed to the Bond Insurer and shall be in form and substance satisfactory to the Bond Insurer. In addition, the escrow agreement shall provide that:

(a) Any substitution of securities shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of the Bond Insurer.

(b) The District will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Bond Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(c) The District shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Bond Insurer.

Section 20. Contractual Nature of Resolution.

The provisions of this Resolution will constitute a contract between the District and the Bondholders; and after the issuance of any of such Bonds, no change, variation or alteration of any kind in the provisions of this Resolution, will be made in any manner except as herein or therein provided until such time as all of the Bonds authorized by such Resolutions and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided that the Commission may enact a Resolution to evidence the succession of another Bank or Trust Company as Paying Agent and Bond Registrar for the Bonds and may enact any other Resolution for any other purpose not inconsistent with the terms of this Resolution, and which

will not impair the security of the Bondholders and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

Section 21. Appointment and Duties of Bond Registrar and Paying Agent.

Branch Banking and Trust Company, is hereby designated as the Bond Registrar and Paying Agent with respect to the Bonds.

(a) *Duties as Bond Registrar.* Its duties as Bond Registrar shall be as follows:

(1) To authenticate the Bonds and temporary Bond or Bonds, if any, authorized herein;

(2) To register all of the Bonds in the names of the respective Bondholders;

(3) Upon being supplied with a properly authenticated assignment satisfactory to the Bond Registrar (in the sole discretion of such Bond Registrar), to transfer the ownership of Bonds from one registered Bondholder to another within three (3) business days of the receipt of such proper assignment by the Bond Registrar;

(4) To cancel and destroy (or remit to the District for destruction, if so requested by the District) all exchanged, matured, retired and redeemed Bonds, and to maintain adequate records relevant thereto.

(b) *Duties as Paying Agent.*

(1) To maintain the sinking funds and to invest the funds contained therein in accordance with the instructions of the Commission;

(2) To remit, but only to the extent that all required funds are made available to the Paying Agent by the District, semiannual interest payments directly to the registered Bondholders by regular United States mail. Said interest payments shall be deposited in the United States mail no later than each interest due date. Matured or redeemed Bonds shall be payable upon presentation to the Paying Agent. For interest payment purposes, the Paying Agent shall be entitled to rely on its records as Bond Registrar as to the ownership of each Bond as of the Record Date, and the Paying Agent's check shall be drawn and mailed accordingly;

(3) To notify the Bondholder of each registered Bond to be redeemed and to redeem Bonds prior to their stated maturity upon their presentation in accordance with the provisions of Section 5 of this Resolution, upon receiving sufficient funds; and

(4) To supply the Commission with a written accounting evidencing the payment of interest on and principal of the Bonds within thirty (30) days following each respective due date.

The Bond Registrar/Paying Agent will be entitled to the advice of counsel and will be protected for any acts taken by it in good faith in reliance upon such advice. The Bond Registrar/Paying Agent will not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Resolution, or the responsibility for the consequences of any oversight or error in judgment.

The Bond Registrar/Paying Agent may at any time resign from its duties set forth in this Resolution by filing its resignation with the Secretary and notifying the initial purchaser or purchasers of the Bonds. Thereupon, the District shall designate a successor Bond Registrar/Paying Agent which must be: (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by the Bond Insurer in writing. Notwithstanding the foregoing, in the event of the resignation of the Bond Registrar/Paying Agent, provision shall be made for the orderly transition of the books, records and accounts relating to the Bonds to the successor Bond Registrar/Paying Agent in order that there will be no delinquencies in the payment of interest or principal due on the Bonds.

The Bond Insurer shall receive prior written notice of any name change of the Paying Agent for the Insured Obligations or the resignation or removal of the Paying Agent. No removal, resignation or termination of the Paying Agent shall take effect until a successor, acceptable to the Bond Insurer, shall be qualified and appointed.

Branch Banking and Trust Company shall indicate its acceptance of its duties as Bond Registrar and Paying Agent by signing the Acceptance by Branch Banking and Trust Company as Bond Register, Paying Agent and Transfer Agent at the conclusion of this Resolution.

Section 22. Provisions in Conflict Repealed.

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

Section 23. Covenant of District to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986.

In order to assure purchasers of the Bonds that interest thereon will continue to be exempt from all federal and Kentucky income taxation (subject to certain exceptions set out below), the District covenants to and with the Bondholders that (a) the District will take all actions necessary to comply with the provisions of the Code, (b) the District will take no actions which will violate any of the provisions of the Code, or would cause the Bonds to become "private activity bonds" within the meaning of the Code, (c) none of the proceeds of the Bonds will be used for any purpose which would cause the interest on the Bonds to become subject to federal income

taxation, and the District will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Bonds.

The District certifies that these Bonds are not "private activity bonds" within the meaning of the Code, and the District has been advised by Bond Counsel, and therefore believes, that interest on the Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals.

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

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

Section 24. Insurance.

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

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

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

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

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

Section 25. Records, Audits and Reports.

Insofar as consistent with the laws of Kentucky, the District agrees that so long as any of the Bonds remain outstanding, it will keep proper books of records and account showing complete and correct entry of all transactions relating to the System in accordance with generally accepted accounting principles (for facilities of like type and size), in which complete and correct entries shall be made of all pertinent transactions. All such records and books of account shall at all times during normal business hours be subject to inspection by the Bondholder(s) of 10% or more of the principal amount of the Outstanding Bonds then outstanding, or by their duly authorized representatives.

The District further covenants that as soon as may be feasible after the close of each fiscal year, and in any event not later than 210 days thereafter, the District will cause an audit of the financial affairs of the System to be prepared by Certified Public Accountants, covering the operation of the System for the preceding fiscal year.

A copy of said audit report shall be kept on file in the office of the Secretary, where it will be subject to inspection at any reasonable time by or on behalf of any Bondholder. A condensation of the important facts shown by such report will be mailed to any such Bondholder upon request.

Section 26. Event of Default; Rights of Bondholders Upon Occurrence of Event of Default.

The following items shall constitute an "Event of Default" on the part of the District:

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

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

(c) The failure of the District to fulfill any of its obligations pursuant to this Resolution and to cure any such failure within 30 days after receipt of written notice of such failure.

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

Upon the occurrence of an Event of Default, any Bondholder may enforce and compel the performance of all duties and obligations of the District as set forth herein. Upon the occurrence of an Event of Default, then, upon the filing of suit by any Bondholder, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District and the Bondholders, as their interests may appear, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Bonds, and for the payment of operation and maintenance expenses of the System, and to provide and apply the Revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

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

Section 27. Concerning the Municipal Bond Insurance Policy and the Bond Insurer.

(1) Notice and Other Information to be given to the Bond Insurer.

The District will provide the Bond Insurer with all notices and other information it is obligated to provide (i) under its Disclosure Certificate (hereinafter defined) and (ii) to the holders of Insured Obligations or the Paying Agent under the Security Documents.

The notice address of the Bond Insurer is:

Build America Mutual Assurance Company
1 World Financial Center, 27th Floor
200 Liberty Street

New York, NY 10281
Attention: Surveillance
Re: Policy No. _____
Telephone: (212) 235-2500
Telecopier: (212) 235-1542
Email: notices@buildamerica.com.

In each case in which notice or other communication refers to an event of default or a claim on the Bond Insurance Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(2) Amendments, Supplements and Consents. The Bond Insurer's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The District shall send copies of any such amendments or supplements to the Bond Insurer and the rating agencies that have assigned a rating to the Insured Obligations.

(a) *Consent of the Bond Insurer.* Any amendments or supplements to the Security Documents shall require the prior written consent of the Bond Insurer with the exception of amendments or supplements:

- i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or
- ii. To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or
- iii. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or
- iv. To add to the covenants and agreements of the District in the Security Documents other covenants and agreements thereafter to be observed by the District or to surrender any right or power therein reserved to or conferred upon the District.

(b) *Consent of the Bond Insurer in Addition to Bondholder Consent.* Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Insured Obligations or adversely affects the rights or interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer.

(c) *Consent of the Bond Insurer in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the District must be acceptable to the

Bond Insurer. In the event of any reorganization or liquidation of the District, the Bond Insurer shall have the right to vote on behalf of all holders of the Insured Obligations absent a continuing failure by the Bond Insurer to make a payment under the Bond Insurance Policy.

(d) *Consent of the Bond Insurer Upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without the Bond Insurer's written consent.

(e) *The Bond Insurer as Owner.* Upon the occurrence and continuance of a default or an event of default, the Bond Insurer shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(f) *Consent of the Bond Insurer for Acceleration.* The Bond Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

(g) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Bond Insurer.

(h) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs (a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, the Bond Insurer has made payment under the Bond Insurance Policy, to the extent of such payment the Bond Insurer shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if the Bond Insurer has not made any payment under the Bond Insurance Policy, the Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Bond Insurer makes a payment under the Bond Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) the Bond Insurer has failed to make any payment under the Bond Insurance Policy when due and owing in accordance with its terms; or (B) the Bond Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Bond Insurance Policy or shall obtain an order or grant approval for the

rehabilitation, liquidation, conservation or dissolution of the Bond Insurer (including without limitation under the New York Insurance Law).

(3) The Bond Insurer As Third Party Beneficiary. The Bond Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(4) Payment Procedure Under the Bond Insurance Policy.

In the event that principal and/or interest due on the Insured Obligations shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Insured Obligations.

In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Paying Agent has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Paying Agent shall as soon as practicable notify the Bond Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify the Bond Insurer or its designee.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the District with respect to such Insured Obligations, and the Bond Insurer shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the District and the Paying Agent agree for the benefit of the Bond Insurer that:

(a) They recognize that to the extent the Bond Insurer makes payments directly or indirectly (e.g., by paying through the Paying Agent), on account of principal of or interest on the Insured Obligations, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and

(b) They will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will

otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(5) Additional Payments. The District agrees unconditionally that it will pay or reimburse the Bond Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the Bond Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Bond Insurer spent in connection with the actions described in the preceding sentence. The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Bond Insurer until the date the Bond Insurer is paid in full.

Notwithstanding anything herein to the contrary, the District agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy ("BAM Policy Payment"); and (ii) interest on such BAM Policy Payments from the date paid by the Bond Insurer until payment thereof in full by the District, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. The District hereby covenants and agrees that the BAM Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

(6) Debt Service Reserve Account. The prior written consent of the Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Account, if any. Amounts on deposit in the Debt Service Reserve Account shall be applied solely to the payment of debt service due on the Insured Obligations.

(7) Exercise of Rights by the Bond Insurer. The rights granted to the Bond Insurer under the Security Documents to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of the Bond Insurer.

(8) The Bond Insurer Entitled to Pay. The Bond Insurer shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Insured Obligations as a result of acceleration of

the maturity thereof in accordance with the Security Documents, whether or not the Bond Insurer has received a claim upon the Bond Insurance Policy.

Section 28. Supplemental Resolutions not Requiring Consent of Bondholders.

The District may, without the consent of, or notice to, any of the Bondholders, enact one or more Supplemental Resolutions as will not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Resolution;
- (b) to grant to or confer upon the Bond Registrar for the benefit of the Bondholders any additional rights, remedies, powers, or authorities that should lawfully be granted to or conferred upon the Bondholders or the Bond Registrar or either of them;
- (c) to subject to the lien and pledge of this Resolution additional revenues, properties, or collateral which may legally be subjected;
- (d) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;
- (e) to add to the covenants and agreements of the District in this Resolution, other covenants and agreements thereafter to be incurred by the District or to surrender any right or power herein reserved to or conferred upon the District; and/or
- (f) to effect the issuance of additional Parity Bonds.

Notwithstanding anything herein to the contrary, no amendments or supplements to the Resolution shall become effective except upon obtaining the prior written consent of the Bond Insurer. Copies of any modification or amendment to the Resolution shall be sent to the Bond Insurer at least 15 days prior to the effective date thereof.

Section 29. Supplemental Resolutions Requiring Consent of Bondholders.

Subject to the terms and conditions contained in this Section and not otherwise, the Bondholders of not less than two-thirds in aggregate principal amount of the Bonds, shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the enactment by the District of such other Supplemental Resolution as will be deemed necessary and desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any terms or provisions contained in this Resolution or in any Supplemental Resolution; provided, however, that nothing in this Section will permit, or be construed without consent of the Bondholder of any Bonds then outstanding as permitting (a) an extension of the maturity date on which the principal of, premium, if any, or interest on such Bond is or is to become, due and payable, (b) a reduction in the principal amount of such Bond, the rate of interest thereon, or any redemption premium, (c) a privilege or priority of Bond or Bonds over any other Bond, (d) reduction in the principal amount of the Bonds required for consent to such Supplemental

Resolution, or (e) the creation of a lien upon or pledge of revenues, receipts or other income from, or in connection with the System ranking prior to or (except in connection with the issuance of Parity Bonds pursuant to this Resolution) on a parity with the lien or pledge by this Resolution.

No Supplemental Resolution shall be enacted for any of the purposes of this Section without notice being furnished by the Bond Registrar to each Bondholder in the same manner as the furnishing of a notice of redemption of Bonds, and no such Supplemental Resolution shall be effective until at least 60 days subsequent to the furnishing of such notice.

Notwithstanding anything herein to the contrary, no amendments or supplements to the Resolution shall become effective except upon obtaining the prior written consent of the Bond Insurer. Copies of any modification or amendment to the Resolution shall be sent to the Bond Insurer at least 15 days prior to the effective date thereof.

Section 30. Annual Disclosure Requirements.

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the District agrees to enter into a Continuing Disclosure Certificate dated as of the date of original issuance of the Bonds (the "Disclosure Certificate"), setting forth the undertaking of the District to provide certain annual financial reports and notices of the occurrence of certain events. The District will deliver the Disclosure Certificate at the closing of the Bonds.

Financial information regarding the District can be obtained from the Superintendent at the District's offices.

The obligations of the District described above will remain in effect only for such period that (i) the Bonds are outstanding in accordance with their terms and (ii) that the District remains an obligated person with respect to the Bonds within the meaning of the Rule. The District reserves the right to terminate its obligation to provide notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The District acknowledges that its undertaking pursuant to the Rule described under this Section is intended to be for the benefit of the Bondholders (including holders of beneficial interests in the Bonds).

Section 31. Signatures of Officers.

If any of the officers whose signatures or facsimile signatures appear on any of the Bonds or coupons cease to be such officers before delivery of the Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

Section 32. Severability Clause.

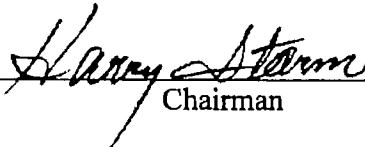
If any section, paragraph, clause or provision of this Resolution is held invalid, the invalidity of such section, paragraph, clause or provision will not affect any of the remaining provisions of this Resolution.

Section 33. Effective Date of Resolution; Publication of Summary.

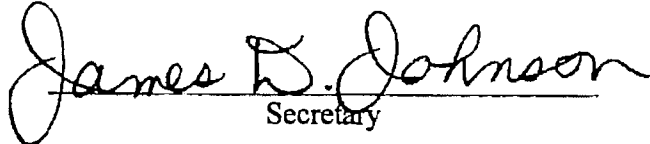
This Resolution will be introduced at a meeting of the Commission and will remain on file for public inspection in the office of the Secretary until the next following regular, adjourned regular or called, special session of the Commission, in the completed form in which it will be put on its final enactment. If enacted, this Resolution will be in full force and effect immediately.

Adopted this February 9, 2015.

OHIO COUNTY WATER DISTRICT


Chairman

Attest:

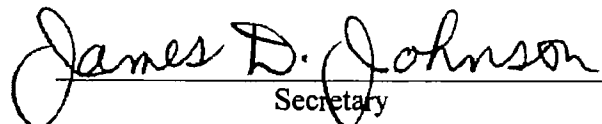

Secretary

CERTIFICATE OF SECRETARY

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Ohio County Water District, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on February 9, 2015, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this February 9, 2015.


Secretary

ACCEPTANCE BY BRANCH BANKING AND TRUST COMPANY
AS BOND REGISTRAR, PAYING AGENT AND TRANSFER AGENT

The undersigned hereby agrees to the provisions of the foregoing Resolution to the extent there are contained therein provisions as to the rights and duties of it as Bond Registrar, Paying Agent and Transfer Agent.

Dated: March 13, 2015.

BRANCH BANKING AND TRUST
COMPANY

By Marsha R. Hart
Signature

Assistant Vice President
Title

EXHIBIT A

SERIES 2015 BOND FORM

**UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
OHIO COUNTY WATER DISTRICT
WATERWORKS REFUNDING REVENUE BOND
SERIES 2015**

NO. R- _____

CUSIP: _____

DATE OF ORIGINAL ISSUE: _____, 2015

PRINCIPAL AMOUNT: \$ _____

INTEREST RATE: _____

MATURITY DATE: August 1, _____

KNOW ALL MEN BY THESE PRESENTS: That the Ohio County Water District (the "District"), in the Commonwealth of Kentucky, for value received, hereby promises to pay, solely from the special fund hereinafter identified, to

the registered owner, or registered assigns, as hereinafter identified, upon presentation and surrender of this Bond, the principal sum of

_____ DOLLARS,

on the Maturity Date specified above, and to pay interest on said sum at the per annum Interest Rate specified above, semiannually from the Date of Original Issue specified above, or from the most recent Interest Payment Date (hereinafter defined) preceding the date of or on which this Bond is authenticated, unless this Bond is authenticated on an Interest Payment Date (hereinafter defined), to which interest has been paid, in which event it will bear interest from that date, on February 1 and August 1 of each year ("Interest Payment Date"), commencing August 1, 2015, unless redeemed prior thereto as hereinafter provided. The principal on this Bond is payable upon surrender of this Bond, at maturity or at earlier redemption prior to maturity, in lawful money of the United States of America at the designated corporate trust office of Branch Banking and Trust Company, Wilson, North Carolina (the "Paying Agent" and the "Bond Registrar").

Interest due on this Bond will be paid by check or draft by mail postmarked no later than the due date thereof by the Paying Agent to the registered owner hereof at the address shown as of the last day of the month preceding each Interest Payment Date on the Bond Register kept by the Bond Registrar, or, at the direction of a Bondholder of \$1,000,000 or more of Bonds, by electronic transfer by the Paying Agent in immediately available funds to an account within the

United States of America designated in writing by such Bondholder to the Paying Agent not less than 5 days prior to the applicable Record Date.

This Bond is one of a series of Bonds in the aggregate principal sum of _____ Dollars (\$ _____), principal amount of Ohio County Water District Waterworks Refunding Revenue Bonds, Series 2015 (the "Bonds") issued by the District pursuant to a Resolution duly enacted (the "Bond Resolution") by the Commission of the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, and more specifically Chapters 58 and 74, of the Kentucky Revised Statutes (the "Act"), for the purpose of financing the current refunding of the outstanding Ohio County Water District Waterworks Revenue Bonds, Series 2003.

The Bonds, together with any subsequently issued series of parity bonds, constitute legal, valid and binding special obligations of the District, payable solely from and secured by a first pledge of the Revenues derived by the District from the operation of the existing waterworks system (the "System") of the District as more fully identified in the Bond Resolution. Also secured by the Revenues of the System, but subordinate to the lien and pledge of the Bonds on the Revenues of the System, are the District's: (i) loan from the Kentucky Infrastructure Authority to the District, dated August 1, 2009, Project Number F08-08 and (ii) Ohio County Water District Waterworks Revenue Bonds, Series 2010, in the original principal amount of \$8,200,000, consisting of \$7,000,000 of Series A Bonds and \$1,200,000 of Series B Bonds, dated June 15, 2011, authorized by a Resolution enacted by the Commission of the District on July 15, 2009.

The Bond Resolution provides that so long as any of the Bonds and/or any additional bonds ranking on a parity therewith, are outstanding, the System will be owned and operated as a combined and consolidated revenue-producing public project or System within the meaning of the Act, for the security and source of payment of any and all of such outstanding Bonds or any additional parity bonds.

It is provided in and by the Bond Resolution that additional bonds ranking on a parity with the Bonds, may be issued and outstanding upon the conditions and restrictions provided in the Bond Resolution; and these Bonds and any additional parity bonds, as may be hereafter issued and outstanding from time to time under the parity conditions and restrictions of the Bond Resolution, are and will continue to be payable from and secured by a first pledge of a fixed portion of the Revenues to be derived from the operation of the System, which fixed portion of said Revenues will be sufficient to pay the principal of and interest on all of the outstanding Bonds and any additional Parity Bonds as and when the same become due and payable, and which will be set aside as a special fund for that purpose and identified as the "First Lien Sinking Fund".

The District covenanted in the Bond Resolution that so long as any of the Bonds and/or any additional parity bonds are outstanding, the System will be continuously owned and operated as a revenue-producing undertaking, and that the District will fix, charge, and adjust from time to time as needed, such rates for the services and facilities of the System so that the Revenues

therefrom will be sufficient to pay all of the Bonds and any additional Parity Bonds, and the interest thereon, as the same become due, to pay the cost of operation and maintenance of the System, and to provide for the depreciation thereof.

The District and the Bond Registrar may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of principal hereof, premium, if any, and interest due hereon and for all other purposes, and neither the District nor the Bond Registrar will be affected by any notice to the contrary.

The Bonds are not subject to optional redemption by the District prior to their stated maturities.

In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof, if the Bond is one of the maturities or amounts or part of the maturities or amounts called for redemption. Upon surrender of a Bond for redemption in part, the Registrar shall (authenticate and) deliver and exchange an exchange bond or bonds of the same series in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

The Paying Agent is to give notice of redemption by first class mail, postage prepaid, mailed not less than 25 nor more than 45 days prior to the redemption date to each Bondholder to be redeemed or tendered at the address of such Bondholder appearing in the Bond Register, and also to such other Persons as the District deems appropriate.

Neither the failure of any Bondholder to receive notice mailed as provided in the Bond Resolution nor any defect in notice so mailed shall affect the validity of the proceedings for redemption in accordance herewith.

Notice of redemption having been given as provided in the Bond Resolution, the Bonds so to be redeemed will become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the District shall default in the payment of the redemption price) such Bonds will cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the redemption price thereof.

If any Bond called for redemption is not so paid upon surrender thereof for redemption, the redemption price and, to the extent lawful, interest thereon shall, until paid, bear interest from the redemption date at the rate borne by that Bond immediately before the redemption date.

Any Bond that is to be redeemed only in part shall be surrendered to the Paying Agent (with, if the Paying Agent so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Paying Agent duly executed by the Bondholder thereof or its attorney duly authorized in writing) and the appropriate officers of the District shall execute and the Paying Agent shall authenticate and deliver to the Bondholder of such Bond, without service

charge to the Bondholder, a new Bond or Bonds of any Authorized Denomination or Authorized Denominations, as requested by such Bondholder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

All of said Bonds as to which the District reserves and exercises the right of redemption and as to which notice as aforesaid will 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.

The required notice will be deemed to have been given upon the District furnishing notice of redemption to the Bond Registrar and upon the Bond Registrar acknowledging that it has instructions to send such notice and that it will do so at the proper time, even if the time for furnishing such notice has not yet arrived.

The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended, and the Bonds will not be required to be included by financial institutions in calculating the disallowance of the deduction for interest expense allocable to tax-exempt interest under such Section.

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 the Bonds, have existed, have happened and have been performed, in due time, form and manner as required by law, that the amount of this Bond, together with all other obligations of said District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky, and that a sufficient portion of the Revenues of the System has been pledged to and will be set aside into the First Lien Sinking Fund by the District for the prompt payment of the principal of and interest on this Bond and all of the Bonds, and all other bonds ranking on a parity therewith, which may be issued hereafter.

IN WITNESS WHEREOF, said Ohio County Water District, in the Commonwealth of Kentucky, has caused this Bond to be executed on its behalf with the duly authorized reproduced facsimile signature of the Chairman of said District, attested by the reproduced facsimile signature of its Secretary, dated as of _____, 2015; provided, however, that this Bond will not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the Bond Resolution pursuant to which it was authorized until the Authentication Certificate of Bond Registrar printed hereon will have been executed by the manual signature of a duly authorized representative of the Bond Registrar.

OHIO COUNTY WATER DISTRICT

Chairman

Attest:

Secretary

(FORM OF AUTHENTICATION CERTIFICATE OF REGISTRAR)

AUTHENTICATION CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Bonds referred to in the within Bond and in the Bond Resolution authorizing same.

The Authentication Date of this Bond is: _____.

BRANCH BANKING AND TRUST
COMPANY, Bond Registrar

By _____
Authorized Officer

**BUILD AMERICA MUTUAL ASSURANCE COMPANY
STATEMENT OF INSURANCE**

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to Branch Banking and Trust Company, Wilson, North Carolina, or its successor, as paying agent for the Bonds (the "Paying Agent"). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from BAM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy.

(FORM OF ASSIGNMENT)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ (Please print or typewrite name and address of transferee) the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____
Signature

In the presence of: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature guaranteed by:

NOTICE: Signature(s) must be guaranteed by a member firm of a Medallion Program acceptable to the Bond Registrar.

RECEIVED

OFFICIAL STATEMENT

NEW ISSUE
BANK QUALIFIED

RATING: S&P: "AA" (Moody's: "A1" underlying)
See "BOND RATING" herein

FEB 8 2016

Public Service
Commission

In the opinion of Bond Counsel, based upon laws, regulations, rulings and decisions, and assuming continuing compliance with certain covenants made by the District, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, upon the conditions and subject to the limitations set forth herein under the caption "TAX EXEMPTION." Receipt of interest on the Bonds may result in other federal income tax consequences to certain holders of the Bonds. In the opinion of Bond Counsel, interest on the Bonds is also exempt from income tax by the Commonwealth of Kentucky, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

\$960,000
OHIO COUNTY WATER DISTRICT
WATERWORKS
REFUNDING REVENUE BONDS
SERIES 2015

Dated: Date of Initial Delivery

Due: August 1, as set forth on the inside front cover

Interest on the Bonds is payable each February 1 and August 1, beginning August 1, 2015. The Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Investors will not receive certificates representing their interest in the Bonds purchased and such individual purchases will be made in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. Principal of and premium, if any, on the Bonds will be payable at the designated corporate trust office of Branch Banking and Trust Company, Wilson, North Carolina, Paying Agent, Transfer Agent and Registrar. The Bonds are not subject to optional redemption prior to maturity.

The Bonds and the interest thereon are payable from the income and revenues to be derived from the operation of the District's waterworks system. The Bonds will mature in their respective years as set forth on the inside front cover.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



FOR MATURITIES, INTEREST RATES AND PRICES OR YIELDS, SEE THE INSIDE COVER

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval of legality and tax exemption by Rubin & Hays, Bond Counsel, Louisville, Kentucky. Certain legal matters will be passed upon for the Issuer by its counsel, E.F. Martin, Jr., Esq., Ohio County Water District Attorney.

This Official Statement is deemed final for purposes of SEC Rule 15c2-12(b)(1). Delivery of the Bonds is expected on or about March 19, 2015.

CITY SECURITIES CORP.

Dated: February 18, 2015

MATURITY SCHEDULE

\$960,000

OHIO COUNTY WATER DISTRICT

WATERWORKS

REFUNDING REVENUE BONDS

SERIES 2015

<u>Maturing</u> <u>August 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP</u> <u>677306</u>
2015	\$ 90,000	2.000%	0.350%	DG4
2016	105,000	2.000%	0.550%	DH2
2017	100,000	2.000%	0.850%	DJ8
2018	105,000	2.000%	1.150%	DK5
2019	110,000	2.000%	1.350%	DL3
2020	110,000	2.000%	1.550%	DM1
2021	110,000	2.000%	1.800%	DN9
2022	115,000	2.250%	2.050%	DP4
2023	115,000	2.250%	100.00%	DQ2

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District identified on the cover page hereof. No person has been authorized by the District to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the District or J.J.B. Hilliard, W.L. Lyons, LLC, the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Ohio County Water District Waterworks Refunding Revenue Bonds, Series 2015 by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the District, will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE BONDS, NOR SHALL THERE BE ANY SALE OF ANY OF THE BONDS, BY ANY PERSON IN ANY JURISDICTION IN WHICH OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "Specimen Municipal Bond Insurance Policy for Bonds - Appendix G".

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the District's business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. This Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

This Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

OHIO COUNTY WATER DISTRICT

Chairman

Harry Storm

Board of Commissioners

Ben Everley

Dewayne Johnson

Chuck Price

Doug McKenney

Mark Whitehouse

Cletus Greer

Manager

Walt Beasley

Attorney for the District

E.F. Martin, Jr., Esq.

BOND COUNSEL

Rubin & Hays

Louisville, Kentucky

FINANCIAL ADVISOR

J.J.B. Hilliard, W.L. Lyons, LLC

Louisville, Kentucky

BOND REGISTRAR AND PAYING AGENT

Branch Banking and Trust Company

Wilson, North Carolina

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OFFICIAL STATEMENT

\$960,000
OHIO COUNTY WATER DISTRICT
WATERWORKS
REFUNDING REVENUE BONDS
SERIES 2015

INTRODUCTORY STATEMENT

This Official Statement is furnished in conjunction with the offering by the Ohio County Water District (the "District") of \$960,000 principal amount of its Waterworks Refunding Revenue Bonds, Series 2015 (the "Bonds").

The Bonds will be issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky including, among others, Chapter 74 and Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes. The Bonds will be issued in accordance with a resolution (the "Resolution") enacted by the Board of Commissioners of the District on February 9, 2015.

The Bonds constitute legal, valid and binding special obligations of the District, payable from and secured by a first pledge of and a first lien on the income and revenues to be derived by the District from the operation of its waterworks system (the "System").

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE ONLY FROM THE SOURCES HEREIN IDENTIFIED. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR CHARGE AGAINST THE GENERAL CREDIT OF THE DISTRICT, AGAINST THE TAXING POWER OF THE DISTRICT OR AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF KENTUCKY.

The proceeds from the sale of the Bonds will be applied by the District to provide for funds for the current refunding of the outstanding Ohio County Water District Waterworks Revenue Bonds, Series 2003, dated November 1, 2003, in the original principal amount of \$1,865,000 (the "Refunded Bonds"), and to pay all costs incident to the issuance of the Bonds.

Brief descriptions of the security for the Bonds, the District, and the Refunding Program are included in this Official Statement. THIS OFFICIAL STATEMENT AND ITS APPENDICES SHOULD BE READ IN THEIR ENTIRETY. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Resolution are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Resolution, and the information with respect thereto in the aforementioned documents, copies of all of which are available for inspection in the office of the Superintendent of the District, 124 E Washington Street, Hartford,

Kentucky 42347. Capitalized terms used herein shall have the meanings specified in the Resolution unless otherwise indicated.

The District does not intend to accept any bid that is submitted for the purchase of less than the entire aggregate principal amount of the Bonds.

THE BONDS

General

The Bonds will be dated the date of initial delivery thereof, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing August 1, 2015. The Bonds will mature on August 1 of each year, in the years and in the principal amounts as set forth on the inside front cover page of this Official Statement.

Registration, Payment and Transfer

The Bonds are to be issued in denominations of \$5,000 and any integral multiple thereof.

All Bonds shall be registered as to both principal and interest on the registration books maintained at the designated corporate trust office of Branch Banking and Trust Company, Wilson, North Carolina, acting as registrar (the "Registrar"). No transfer of any Bonds 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 Bond. Bonds may be exchanged for Bonds of other authorized denominations upon surrender of the Bonds to be exchanged to the Registrar with a written request for such exchange, duly executed by the owner thereof or by his duly authorized attorney. The Registrar shall not be required to transfer or exchange any Bond during any period beginning 5 days prior to the selection by the Registrar of the Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of any such redemption or if such Bond has been selected or called for redemption in whole or in part. The person in whose name a Bond is registered upon the books of the District shall be deemed the owner thereof for all purposes.

Interest on each Bond shall be payable by check or draft mailed to the registered owner thereof as of the fifteenth day of the month immediately preceding that date for payment of such interest at the address shown on the registration books kept by the Registrar. The principal of and premium, if any, on the Bonds 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 designated corporate trust office of the Registrar.

Denominations and Places of Payment

If the Bonds are issued in book-entry form to The Depository Trust Company ("DTC"), New York, New York or its nominee, Cede & Co., they shall be held in DTC's book-entry only

system. So long as the Bonds are held in the book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner or holder of the Bonds for all purposes of the Resolution, the Bonds and this Official Statement. See "Book-Entry Only System" below.

In the event that the Bonds are not held in a book-entry only system, the principal of and any premium on the Bonds will be payable when due upon presentation and surrender thereof at the designated corporate trust office of the Paying Agent in Wilson, North Carolina. Interest on the Bonds is to be paid on each Interest Payment Date to the persons in whose name the Bonds are registered (the "Bondholders") at the address appearing on the registration books for the Bonds (the "Register") on the last day of the month preceding the applicable Interest Payment Date by check or draft which the Paying Agent shall cause to be mailed on such Interest Payment Date. If and to the extent that the District fails to make payment or provision for payment of interest on any Bond on an Interest Payment Date, the Paying Agent will establish a special record date for the payment of that defaulted interest, as described in the Resolution.

Book-Entry Only System

The Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided therein with respect to Beneficial Owners (as defined below) of Beneficial Ownership Interests (as defined below), Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Indenture.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. The District, the Paying Agent or the Underwriter makes no representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be issued to DTC and immobilized in its custody, or a custodian of DTC. The Bond Registrar is a custodian and agent for DTC and the Bonds will be immobilized in its custody.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that

DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may

wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

DTC Letter of Representations

Certain duties of DTC and procedures to be followed by DTC and the Paying Agent will be set forth in a Letter of Representation (the "DTC Letter of Representations") among the District, the Paying Agent and DTC. In the event of any conflict between the provisions of the Resolution and the provisions of the DTC Letter of Representations relating to delivery of Bonds to the Paying Agent, the provisions of the DTC Letter of Representations shall control.

Revision of Book-Entry System: Replacement Bonds

The Resolution provides for the issuance and delivery of fully registered Bonds (the "Replacement Bonds") directly to owners other than DTC only in the event that DTC determines not to continue to act as securities depository for the Bonds.

Upon occurrence of such event, the District may attempt to establish a securities depository book-entry relationship with another securities depository. If the District does not do so, or is unable to do so, and after the Paying Agent has notified the Beneficial Owners or their representatives with respect to the Bonds by appropriate notice to DTC, the District will issue and the Paying Agent will authenticate and deliver Replacement Bonds with minimum denominations of \$5,000 to the assignees of the Depository or its nominee.

In the event that the book-entry only system is discontinued, the principal or redemption price of and interest on the Bonds will be payable in the manner described above in the second paragraph under "THE BONDS - Denominations and Places of Payment", and the following provisions would apply. The Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the designated corporate trust office of the Paying Agent as Registrar or at the designated office of any Authenticating Agent (initially, the Paying Agent) by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Bonds to be transferred or exchanged, the District will execute, and the Registrar will record the transfer or exchange in its registration books and the Registrar or Authenticating Agent shall authenticate and deliver, new Bonds appropriately registered and in appropriate authorized denominations. Neither the District, the Registrar nor any Authenticating Agent shall be required to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of the Bonds and ending at the close of business on the day of such mailing, nor any Bond all or part of which has been selected for redemption.

Optional Redemption

The Bonds are not subject to optional redemption by the District prior to their stated maturities.

Paying Agent and Registrar

The District has engaged Branch Banking and Trust Company, Wilson, North Carolina as paying agent, transfer agent and registrar for the Bonds (the "Paying Agent", "Transfer Agent" and "Registrar"). In the Resolution, the District has retained the right to replace the Paying Agent, Transfer Agent and Registrar.

Registration

The Registrar is required to maintain, on behalf of the District, a bond register in which will be maintained a current list of all Bondholders and an accurate record of all registrations, transfers and exchanges relating to such Bonds.

The Bonds may be transferred or exchanged upon presentation and surrender thereof at the designated corporate trust office of the Registrar. The Registrar shall not be required to transfer or exchange any Bond: (i) during the period beginning five (5) days prior to the selection by the Registrar of Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of any such redemption or (ii) if such Bond has been selected or called for redemption in whole or in part.

No service charge shall be made for any transfer or exchange of Bonds, but the District or the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds exception the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

Notice and Effect of Redemption

The Paying Agent is to give notice of redemption by first class mail, postage prepaid, mailed not less than 25 nor more than 45 days prior to the redemption date to each Bondholder to be redeemed or tendered at the address of such Bondholder appearing in the Bond Register, and also to such other Persons as the District deems appropriate.

Neither the failure of any Bondholder to receive notice mailed as provided herein nor any defect in notice so mailed shall affect the validity of the proceedings for redemption in accordance herewith.

All notices of redemption shall state:

- (i) the redemption date;
- (ii) the redemption price (including premium, if any);
- (iii) the name of the Bonds to be redeemed, the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

- (iv) the reason for the redemption;
- (v) that on the redemption date, the redemption price of each such Bond will become due and payable, that interest on each such Bond shall cease to accrue on and after such date, and that each such Bond will be deemed to have been redeemed;
- (vi) the place or places where such Bonds must be surrendered for payment of the redemption price thereof; and
- (vii) such additional information as the District or the Paying Agent shall deem appropriate.

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed will become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the District shall default in the payment of the redemption price) such Bonds will cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the redemption price thereof.

If any Bond called for redemption is not so paid upon surrender thereof for redemption, the redemption price and, to the extent lawful, interest thereon shall, until paid, bear interest from the redemption date at the rate borne by that Bond immediately before the redemption date.

Any Bond that is to be redeemed only in part shall be surrendered to the Paying Agent (with, if the Paying Agent so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Paying Agent duly executed by the Bondholder thereof or its attorney duly authorized in writing) and the appropriate officers of the District shall execute and the Paying Agent shall authenticate and deliver to the Bondholder of such Bond, without service charge to the Bondholder, a new Bond or Bonds of any Authorized Denomination or Authorized Denominations, as requested by such Bondholder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any Interest Payment Date means the fifteenth day of the month preceding each Interest Payment Date.

In the event of a non-payment of interest on one or more maturities on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment for such maturity or maturities ("Special Record Date") will be established by the Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Bondholder of such maturity or maturities appearing on the books of the Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2014 and as prepared in accordance with statutory accounting practices prescribed

or permitted by the New York State Department of Financial Services were \$475.7 million, \$26.9 million and \$448.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

SECURITY FOR THE BONDS

Security and Source of Payment

The Bonds, together with any subsequently issued series of parity bonds, constitute legal, valid and binding special obligations of the District, payable solely from and secured by a first pledge of the income and revenue of the System including rents, royalties, fees and proceeds of sales of property and from rates and charges for services derived from or rendered by the System, as described in the Resolution. Also secured by the income and revenues of the System are the District's: (i) loan from the Kentucky Infrastructure Authority, dated August 1, 2009, in the original principal amount of \$3,742,957 (the "KIA Loan") and (ii) Ohio County Water District Waterworks Revenue Bonds, Series 2010, in the original principal amount of \$8,200,000, consisting of \$7,000,000 of Series A Bonds and \$1,200,000 of Series B Bonds, dated June 15, 2011 (the "Series 2010 Bonds"), authorized by a Resolution enacted by the Board of Commissioners of the District on July 15, 2009.

The District will request that the Kentucky Infrastructure Authority agree to provide the District with a certificate subordinating the KIA Loan to the lien and pledge of the Bonds on income and revenues of the System. The District will also request that the Rural Development (the "RD") of the Department of Agriculture of the United States of America, bondholder of the Series 2010 Bonds, subordinate the Series 2010 Bonds to the lien and pledge of the Bonds on the income and revenues of the System.

The Bonds together with any subsequently issued series of parity bonds constitute legal, valid and binding special obligations of the District, payable solely from and secured by a first pledge of the income and revenues derived by the District from the operation of the System.

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT BUT ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE ONLY FROM THE SOURCES HEREIN IDENTIFIED. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR CHARGE AGAINST THE GENERAL CREDIT OF THE DISTRICT, AGAINST THE TAXING POWER OF THE DISTRICT OR AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF KENTUCKY.

Flow of Funds

The Resolution prescribes that all income and revenues derived by the District from the operation of the System shall be deposited in a separate and special fund designated the Ohio County Water District Waterworks Revenue Fund. All moneys in such fund shall be apportioned to the various funds and accounts set forth below in the following manner and order of priority:

First Lien Sinking Fund: The Resolution specifies that there shall be deposited, on or before the 20th day of each month, in the First Lien Sinking Fund an amount sufficient to satisfy the payment of the amounts required to be deposited into the First Lien Sinking Fund and the

Debt Service Reserve Account listed below; which account has been created within the First Lien Sinking Fund:

- a. *First Lien Sinking Fund:* A sum equal to one-sixth (1/6) or such lesser or greater amount necessary to accumulate an amount to pay the next succeeding interest installment to become due on the Outstanding Bonds; plus a sum equal to one-twelfth (1/12) or such lesser or greater amount necessary to accumulate an amount to pay the principal of the Outstanding Bonds on the next succeeding principal payment date.
- b. *Debt Service Reserve Account:* Monthly amounts equal to at least one-twelfth (1/12) of the Reserve Requirement under the terms of the Resolution until the balance therein equals such Reserve Requirement; provided, however, that the requirement of funding a Debt Service Reserve Account shall be considered satisfied and there need be no cash deposits into the Debt Service Reserve Account as long as the amount on deposit therein equals the Reserve Requirement under the terms of the Resolution. Amounts in this account shall be used solely for the payment of the principal of and interest on the Bonds and any parity bonds to be outstanding under the terms of the Resolution as to which there would otherwise be a default.

The Resolution defines the "Reserve Requirement" to mean an amount, as of any particular date of computation, equal to the lesser of (i) 10% of the proceeds of the Bonds, (ii) 100% of the greatest amount required in the then current or any future Bond Year to pay the principal and interest requirements on the Outstanding Bonds, or (iii) 125% of the average of the annual principal and interest requirements on the Outstanding Bonds.

In the event a drawing is made from the Debt Service Reserve Account, the District, from revenues of the System, will be obligated to restore any moneys withdrawn so that, within twelve months following such drawing or withdrawal, the amount on deposit in the Debt Service Reserve Account equals the Reserve Requirement under the terms of the Resolution.

Second Lien Sinking Fund: The Resolution specifies that after the monthly transfers required in the First Lien Sinking Fund have been paid from the Revenue Fund, there shall be deposited, on or before the 20th day of each month, in the Second Lien Sinking Fund an amount sufficient to satisfy the payment of the amounts required to be deposited into the Second Lien Sinking Fund listed below:

A sum equal to one-sixth (1/6) or such lesser or greater amount necessary to accumulate an amount to pay the next succeeding interest installment to become due on the KIA Loan and Series 2010 Bonds; plus a sum equal to one-twelfth (1/12) or such lesser or greater amount necessary to accumulate an amount to pay

the principal of the KIA Loan and Series 2010 Bonds on the next succeeding principal payment date.

Depreciation Fund: Pursuant to the provisions of the resolution authorizing the Series 2010 Bonds (the "2010 Bond Resolution"), there shall next be transferred from the Revenue Fund a sum sufficient, each month, to maintain a balance in the Depreciation Fund of at least the sum required by the 2010 Bond Resolution, which shall be deposited into the Depreciation Fund.

Pursuant to the provisions of the 2010 Bond Resolution, moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Board of Commissioners of the District, to pay the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, to make payments of principal and interest on the Series 2010 Bonds if the amount on deposit in the Third Lien Sinking Fund is not sufficient to make such payments.

Operation and Maintenance Fund: So long as any Bonds payable from the revenues of the System remain outstanding and unpaid, the Resolution requires that there shall be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers described above, which are cumulative, sufficient funds to meet the current expenses of operating and maintaining the System, and to accrue an operation and maintenance reserve equal to estimated requirements for a three-month period pursuant to the annual budget for the System.

Surplus Balances in the Revenue Fund: If and whenever, on January 1 of any year, all specified and required transfers and payments into the special funds hereinabove provided have been made and there is a balance on deposit in the Revenue Fund in excess of the amount required to be transferred during the ensuing two months of the ensuing year (commencing on January 1 of each calendar year and ending on the next succeeding December 31) into said special funds, all or any part of such excess may, within 60 days after such December 1, be used as follows:

- (1) To retire or redeem outstanding Bonds in inverse order of maturities in accordance with the terms thereof;
- (2) To purchase Bonds at the sole option and discretion of the District, at a price not to exceed the then applicable or next applicable redemption price of such respective series of bonds;
- (3) To transfer additional amounts to the Debt Service Reserve Account, the Operation and Maintenance Fund and/or the Depreciation Fund;

(4) To pay the debt service requirements of any outstanding subordinate obligations payable from the income and revenues of the System; or

(5) For any other lawful corporate purpose of the District related solely to the System.

Rate Covenant

While the Bonds remain outstanding and unpaid, the District covenants to charge for all services and facilities rendered by the System to the District and to its citizens, corporations, or others requiring same, such rates and amounts as shall be reasonable and just, taking into account and consideration the cost and value of the System, the cost of maintaining and operating the same, the proper and necessary allowance for depreciation thereof, and the amounts necessary for the retirement of all Bonds outstanding against the System and the accruing interest on all such Bonds, and any inferior Bonds. There shall be charged such rates and amounts as shall be adequate to meet all requirements of the 2010 Bond Resolution and the Bond Resolution and the District covenants not to furnish service from the System free of charge and not to establish preferential rates for users of the same class; provided, however, the District may itself be provided free service for public purposes.

The District further covenants that so long as any of the Bonds remain outstanding and unpaid that such rates and charges for services of the System will be imposed and collected so that the income and revenues of the System will be sufficient to provide for all expenses of operation, repair and maintenance of the System and produce a balance in each Sinking Fund Year equal to not less than 1.20 times the amount required in such Sinking Fund Year to be paid into the First Lien Sinking Fund for average annual debt service requirements of the Bonds, and to enact promptly and enforce increased rates whenever such increase shall be necessary to fulfill any covenants of or payments required by the Bond Resolution.

The District also covenants to cause a report to be filed with the Board of Commissioners within four months after the end of each fiscal year by (a) Certified Public Accountants, or (b) Independent Consulting Engineers, setting forth what was the precise debt service coverage percentage of the maximum annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year; and the District covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 1.20 times the average annual debt service requirements, the District shall increase the rates by an amount sufficient, in the opinion of such Engineers and/or Accountants, to establish the existence of or immediate projection of, such minimum 1.20 times coverage.

Parity Bonds

No bonds or other obligations secured by a lien on the revenues or properties of the System superior or prior to the lien thereon securing the Bonds may be issued.

Additional bonds, secured on a parity with the Bonds as to security and source of payment, may be issued in accordance with the following conditions:

(a) The Bonds authorized or permitted to be issued under the Bond Resolution and from time to time outstanding shall not be entitled to priority one over the other in the application of the income and revenues of said System regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds authorized or permitted to be issued under the provisions of the Resolution regardless of the fact that they may be actually issued and delivered at different times; provided, however, that the District hereby reserves the right and privilege of issuing additional Parity Bonds from time to time payable from the revenues of said System, ranking on a parity with the Bonds herein authorized, in order to pay the costs of further additions, extensions and improvements to said System, subject to the following restrictions and conditions.

(1) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(2) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

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

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

(i) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(ii) any increase in the annual net revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

(b) The District further reserves the right to issue one or more additional series of Parity Bonds, to refund or refinance the Outstanding Bonds, or any portion thereof, provided that prior to the issuance of such bonds for that purpose, there shall have been procured and filed with the Secretary a statement by a Certified Public Accountant reciting the opinion based upon necessary investigation that:

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

(2) in the alternative, that the debt service requirements for the Outstanding Bonds payable out of the First Lien Sinking Fund and the proposed Parity Bonds, in any year of maturities thereof after the redemption of the Outstanding Bonds scheduled to be refunded through the issuance of such proposed Parity Bonds, shall not exceed the scheduled debt service requirements applicable to the Bonds then outstanding for any corresponding year prior to the issuance of such proposed Parity Bonds and the redemption of any of the Outstanding Bonds to be refunded.

CERTAIN RISKS ASSOCIATED WITH THE BONDS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto.

1. *Security for the Bonds.* The Bonds are limited obligations of the District payable exclusively out of the revenues received by the District from the System and, in certain circumstances, Bond proceeds and income from the temporary investment thereof. The Bonds are secured by a pledge by the District of the income and revenues of the System in accordance with the Bond Resolution. No representation or assurance can be made that District will receive sufficient revenues from the System to pay the principal of and interest due on the Bonds. A brief description of the Security is set forth under the section entitled "SECURITY FOR THE BONDS".

2. *Limitation on Enforcement of Remedies.* Enforcement of the remedies under the Bond Resolution may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Bonds relating to the enforceability contain an exception relating to the limitations which may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principals of equity.

3. *Suitability of Investment.* An investment in the Bonds involves a certain degree of risk. The interest rate borne by the Bonds is intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

4. *Additional Debt.* The Bond Resolution permits the issuance of bonds and notes on a parity with the Bonds. (See "Security for the Bonds"). Such issuances and parity bonds or notes would increase debt service requirements and could adversely affect debt service coverage on the Bonds.

5. *General Economic Conditions.* Adverse general economic conditions may result in, among other adverse circumstances, reduction in revenues, declines in investment portfolio values, reducing or eliminating non-operating revenues; resulting in increased funding requirements; business failures of lenders, insurers or vendors, negatively impacting the results of operations and the overall financial condition of the System.

6. *Tax-Exempt Status of the Bonds.* The tax-exempt status of the Bonds is based on the continued compliance by the District and users of property financed or refinanced with proceeds of the Bonds with certain covenants relating generally to the use of the facilities financed or refinanced with the proceeds of such Bonds, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply with such covenants with respect to the Bonds could cause interest on the Bonds to become subject to federal income taxation retroactive to the original date of issue of the Bonds. In such event, an event of default of the covenants of the Resolution may have occurred and the Bonds are subject to redemption solely as a consequence thereof, and the principal thereof may be accelerated by the Bondholders. No additional interest or penalty is payable in the event of the taxability of interest on the Bonds. See "TAX EXEMPTION".

7. *Bond Ratings.* There is no assurance that the ratings assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Bonds. See "RATINGS" herein.

8. *Market for the Bonds.* There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

9. *Opinions of Legal Counsel.* The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the Commonwealth of Kentucky and the United States of America and other governmental authorities, including police powers exercised for the benefit of the public health and welfare, and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

REFUNDING PROGRAM

The proceeds of the Bonds will be used to currently refund the outstanding Ohio County Water District Waterworks Revenue Bonds, Series 2003, dated November 1, 2003, in the original principal amount of \$1,865,000 (the "Refunded Bonds"), the proceeds of which were used to finance the installation of approximately 90,100 linear feet of 8 inch water main; 42,825 linear feet of 6 inch water main; and 45,960 linear feet of 4 inch water main in Ohio County, Kentucky with appurtenances.

Upon the sale and delivery of the Bonds and upon receipt by the District of the purchase price thereof, the proceeds shall be applied as follows:

(a) There shall first be deducted and paid from the proceeds of the sale of the Bonds the fee of the Financial Advisor, J.J.B. Hilliard, W.L. Lyons, LLC, 500 W. Jefferson Street, Louisville, Kentucky 40202, according to the terms of the contract of said Financial Advisor, as heretofore approved, the fee of Rubin & Hays, Municipal Bond Attorneys, for their services as Bond Counsel with reference to the issuance of the Bonds, any applicable rating agency fee or fees, and any other pertinent expenses incident to the issuance, sale and delivery of the Bonds and such other appropriate expenses as may be approved by the Chairman.

(b) There shall next be transferred to The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, the paying agent for the Refunded Bonds, proceeds of the Bonds in an amount necessary:

(i) To pay the interest on the Refunded Bonds to and including the earliest date after the closing date of the Bonds upon which the Refunded Bonds can be redeemed prior to maturity; and

(ii) To redeem on the earliest date after the closing date of the Bonds upon which the Refunded Bonds can be redeemed prior to maturity at a price equal to 100% of principal amount the Refunded Bonds that as of that date have not been redeemed, retired or otherwise paid, thereby defeasing the pledge of revenues and the property securing the Refunded Bonds.

(c) Pending disbursement for the authorized purposes, the proceeds of the Bonds shall be subject to a first and paramount lien and charge in favor of the Bondholders and for their further security, and shall be invested by the Paying Agent as directed by the Chairman or the Treasurer, who are jointly and severally charged with the responsibility for issuing the Bonds, in Permitted Investments.

The investment of funds shall be made by the Paying Agent upon and at the direction of the District. The investment of funds may be made or transacted by the Paying Agent through the Paying Agent's, or its affiliates', investment department.

The Refunding Program is being conducted in order to achieve debt service savings for the System.

SOURCES AND USES OF FUNDS

The table below shows the sources and uses of Bond proceeds and other funds:

Sources of Funds:

Par Amount of Bonds	\$ 960,000.00
Transfers from Prior Debt Service Reserve Fund	139,349.00
Transfers from Prior Sinking Fund	47,500.00
Bond Premium	<u>6,689.81</u>

Total Sources of Funds	<u>\$1,153,538.81</u>
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Use of Funds:

Refunding Program	\$1,006,395.70
Debt Service Reserve Fund	96,000.00
Costs of Issuance ¹	46,808.78
Rounding	<u>4,334.33</u>

Total Uses of Funds	<u>\$1,153,538.81</u>
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¹Includes Financial Advisor, Bond Counsel and other issuance costs.

THE DISTRICT

Organization

The Ohio County Water District is a public water district created on April 2, 1962 and operates under the provisions of Chapter 74 of the Kentucky Revised Statutes. It is regulated by the Public Service Commission (the "PSC") and the Department for Environmental Protection, Division of Water. The District has authority to plan, design, finance, construct, operate, replace and maintain water distribution facilities in its service area of Ohio County. The District's boundary lines are the Green River to the south and west, McLean, Daviess, and Hancock Counties to the north, and Breckinridge, Grayson and Butler Counties to the east.

The District has an unlimited source of water from the Green River. Also, the Ohio County Water District received approval from the PSC to assume ownership of Rough River Water System, Inc. in 1997.

Rates

The District may establish water service rates and charges, subject to the regulatory jurisdiction of the PSC. The District is in compliance with regulatory laws governing its operations and has the authority to bill and collect a schedule of water service rates and charges, as approved by the PSC. Reference is made to Appendix C for the detailed description of the District's approved water rates.

Commission

The governing body of the District is its Commission, consisting of seven Commissioners, five of whom are duly appointed by the County Judge/Executive of Ohio County with approval of the Ohio County Fiscal Court. The remaining two are appointed by the County Judge/Executive of Daviess County with the approval of the Daviess County Fiscal Court. The present Commission is composed of the following:

<u>Commissioner</u>	<u>Position/Occupation</u>	<u>Appointment</u>	<u>Expiration</u>
Harry Storm	Chairman-Retired	6/3/2011	6/03/2015
Ben Everley	Vice Chair-School System	12/14/2011	12/31/2015
Dewayne Johnson	Treas/Secretary-School System	1/1/2012	1/1/2016
Chuck Price	Young Manufacturing	3/31/2013	3/31/2017
Doug McKenney	Retired	3/22/2011	3/22/2015
Mark Whitehouse	AK Steel	4/2/2014	4/2/2018
Cletus Greer	Retired	9/24/2013	3/22/2015

THE SYSTEM

Service Area

The District serves approximately 5863 customers in a region of approximately 550 square miles, as of December, 2014. In addition to Ohio County (1964 date of annexation),

included in this region are parts of Daviess County (1965), Grayson County (1985), McLean County (1985), and Butler County (1985).

Office

The main office of the District is 124 East Washington Street, Hartford, Kentucky 42347. The office houses the general administrative offices.

System Facilities

The District currently operates a 4 MGD surface water treatment plant located in the community of Cromwell, Kentucky. The plant was constructed around 2011 and consists of a mixing chamber, 2 sedimentation basins and 4 Micro Filter GAC System. The System has approximately 600 miles of distribution lines in service, composed of PVC, ductile and A.C. The source of water supply is the Green River and a new river intake structure was constructed in 1992 and refurbished in 2011. The structure has the capability of being upgraded to 4 MGD. The plant structures are in relatively good condition and the District has recently implemented an aggressive maintenance program to make repairs in the areas of most need. The District continues to work closely with the Kentucky Division of Water to comply with all State and Federal regulations and operate the plant as efficiently as possible.

There are 3 different service areas or pressure zones within the District. Booster stations supply water into each service area and are operated automatically by radio telemetry from the storage facilities within the respective service area. The 7 service areas are as follows: Cromwell, Taylor Mines, Beaver Dam (wholesale only), Echols, OCWD East, Pleasant Ridge and Rough River. The District has 4 pumping stations including one in the Rough River Water System, Inc. The District's 5 pumping stations and their capacity are as follows: Beaver Dam, Echols, Goshen and Hartford.

Wholesale Customers

The City of Beaver Dam, City of Fordsville and City of Centertown are all wholesale customer of Ohio County Water District. The majority of the District's customers are rural single-family users with the average usage running approximately 5,325 gallons per month. The single largest user is the City of Beaver Dam, which accounts for approximately 7,746,800 gallons per month. The District furnishes the City of Fordsville approximately 3,949,500 gallons per month and furnishes City of Centertown with approximately 2,683,500 gallons per month.

The District currently charges a wholesale rate of \$2.68 per 1,000 gallons.

Future Expansion

At this time, there are no plans of more expansions.

LITIGATION

No litigation or administrative action or proceeding is pending or, to the best of the knowledge of the District, threatened, restraining or enjoining or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the collection of revenues or the use of revenues to pay debt service on the Bonds, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the validity of the Bonds, or to prevent or restrict the operations of the District.

There are no pending or threatened legal proceedings materially adversely affecting the ability of the District to meet obligations with respect to the Bonds, nor are there any other pending or threatened legal proceedings, other than litigation routinely incidental to the conduct of its affairs to which the District is a party.

TAX EXEMPTION

General Information

Based upon certain covenants, representations and certifications of the District, which Bond Counsel has not independently verified, and assuming continuing compliance therewith, as set forth below, in the opinion of Bond Counsel interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative tax on individuals and corporations under existing laws, regulations, rulings and decisions in effect on the date of delivery of the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), requires that the District comply on an ongoing basis with certain obligations in order for the Bonds not to be used in such a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and for the interest on the Bonds to be and remain excludable from gross income for federal income tax purposes. Failure to meet those obligations could result in the interest on the Bonds becoming subject to federal income taxation, retroactive to the date of the Bonds. The District has covenanted to comply with all such obligations. Provisions of the Code applicable to corporations (as defined for federal income tax purposes), would impose an alternative minimum tax on a portion of the excess "adjusted current earnings" over "alternative minimum taxable income" and therefore could subject all or a portion of the interest on the Bonds received by corporations to alternative minimum taxation.

Bond Counsel has not opined on any other federal income tax consequences arising for holders of the Bonds. Interest on the Bonds will be includable in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States. In addition, the Code disallows certain federal income tax deductions of certain financial institutions and property and casualty insurance companies which acquire the Bonds.

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the Bonds.

It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the Bonds) issued prior to enactment.

Certain Federal Income Tax Consequences

The following is a discussion of certain federal tax matters under the Code. This discussion does not purport to deal with all aspects of federal taxation that may be relevant to particular Bondholders. Prospective Bondholders, particularly those who may be subject to special rules, are advised to consult their own tax advisor regarding potential consequences arising under the laws of any state or other taxing jurisdiction.

Alternative Minimum Tax on Corporations. Section 55 of the Code imposes an alternative minimum tax on corporations equal to the excess of the tentative minimum tax for the taxable year over the regular tax for such year. The tentative minimum tax is based upon alternative minimum taxable income, which is regular taxable income with certain adjustments and increased by the amount of certain items of tax preference. Interest on tax-exempt obligations, such as the Bonds, is treated as a preference item for purposes of computing the corporate alternative minimum tax.

Financial Institutions. The Code denies banks, thrift institutions and other financial institutions a deduction for 100% of their interest expense allocable to tax-exempt obligations, such as the Bonds, acquired after August 7, 1986.

Borrowed Funds. The Code provides that interest paid on funds borrowed to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purposes of purchasing or when carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchases of such obligations.

Property and Casualty Insurance Companies. The deduction for loss reserves for property and casualty insurance companies is reduced by 15% of the sum of certain items, including the interest received on tax-exempt bonds, such as the Bonds.

Social Security and Railroad Retirement Benefits. The Code also requires recipients of certain Social Security or a Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest that is exempt from federal income tax.

Branch Profits Tax. Certain foreign corporations doing business in the United States may be subject to a branch profits tax on their effectively connected earnings and profits, including tax-exempt interest on obligations such as the Bonds.

S Corporations. Certain S corporations that have subchapter C earnings and profits at the close of a taxable year and gross receipts more than 25% of which are passive investment

income, which includes interest on tax-exempt obligations, such as the Bonds, may be subject to a tax on excess net passive income.

Kentucky Tax Exemption

Under present law, the Bonds are exempt from ad valorem taxation and interest thereon is exempt from income taxation by the Commonwealth of Kentucky and any political subdivisions thereof.

Original Issue Discount

The Bonds or a portion thereof ("Discount Bonds") may be offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each Discount Bond will accrue over the term of the Discount Bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludible from gross income for federal income tax purposes.

In addition, OID that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of OID in each year may result in additional federal income tax consequences.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Original Issue Premium

The Bonds or a portion thereof ("Premium Bonds") may be offered and sold to the public at a premium ("Acquisition Premium") from the amounts payable at maturity thereon. Acquisition Premium is the excess of the cost of a bond over the stated redemption price of such bond. For federal income tax purposes, the amount of Acquisition Premium on the Premium Bonds must be amortized and will reduce the holder's adjusted basis in that Premium Bond. However, no amount of amortized Acquisition Premium on the Premium Bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The

amount of any Acquisition Premium paid on the Premium Bonds that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such Premium Bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

In addition, for any Premium Bonds that are callable prior to their stated maturity, the required amortization period for the Acquisition Premium will depend on which call date produces the greatest diminution in the yield to the holder. For any Premium Bonds not callable prior to their stated maturity date, the amortization period will end on the stated maturity date.

Holders of any Premium Bonds, both original purchasers and any subsequent purchasers, should consult their own tax advisors as to the actual effect of any Acquisition Premium with respect to their own federal income tax situation and as to the treatment of the Acquisition Premium for state tax purposes.

Future Tax Legislation

Proposed, pending or future tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the interest on the Bonds subsequent to their issuance. Future legislation could directly or indirectly reduce or eliminate the value of certain deductions and exclusions, including the benefit of the exclusion of tax-exempt interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from Kentucky taxation. Any such proposed legislation, actions or decisions, whether or not enacted, taken or rendered, could also adversely affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the forgoing matters.

BANK QUALIFICATION

The Code provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions attributable to carrying certain tax-exempt obligations, such as the Bonds, acquired after August 7, 1986, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code). The Bonds are eligible for such limited exception and are considered "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

DISCLOSURE COMPLIANCE

In accordance with the requirements of Rule 15c2-12 as amended and interpreted from time to time (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, the District has agreed enter into a Continuing Disclosure Certificate dated as of the date of original issuance of the Bonds (the "Disclosure Certificate"), setting forth the undertaking of the District to file or cause to be filed with the Municipal Securities Rulemaking Board (the "MSRB"), or any successor thereto for purposes of its Rule, through EMMA, or any similar system that is acceptable to the Securities and Exchange

Commission, audited financial statements prepared in accordance with the basis of accounting prescribed by the Commonwealth of Kentucky and financial information and operating data (commencing with the fiscal year ended December 31, 2014), and certain operating and financial information generally consistent with the information contained in Appendix C.

The District executed a Continuing Disclosure Certificate in connection with the issuance of the Refunded Bonds, in which the District agrees to provide its financial reports for the preceding Fiscal Year on May 1 of each year. In order to assist the underwriter in complying with the underwriter's obligations pursuant to the Rule, the District states that the District has not fully complied in the previous five years with its Continuing Disclosure Certificate in connection with the Refunded Bonds. The District's filings for the previous five years, based upon available information and to the best of its knowledge, are as follows:

<u>Calendar Year</u>	<u>Audit Filed</u>	<u>Operating Data Filed</u>
2009	08/11/2011	02/11/2015
2010	08/11/2011	08/19/2011
2011	12/31/2012	02/11/2015
2012	07/26/2013	06/21/2013
2013	07/10/2014	05/01/2014

The District believes it is currently in material compliance with respect to its undertakings to file annual financial information relating to certain outstanding continuing disclosure agreements under the Rule.

In order to ensure continuing compliance with the District's continuing disclosure undertakings in connection with the Bonds, the Board of Commissioners adopted on February 9, 2015 a resolution approving Guidelines and Procedures Relating to Compliance With Rule 15c2-12 of the Securities and Exchange Commission. A copy of said Guidelines and Procedures can be provided upon request to the Superintendent of the District, 124 E. Washington Street, Hartford, Kentucky 42347, telephone: (270) 298-7704.

The District will agree to provide the audited financial statements and financial information and operating data relating to the District by no later than the August 1 after the end of the fiscal year of each year in which any Bonds are outstanding (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report and the notices of events and certain other terms of the continuing disclosure obligation are set forth in Appendix F - "Form of Continuing Disclosure Certificate".

The District has reserved the right to terminate its obligation to provide annual financial information and notices of material events, as set forth in the Continuing Disclosure Certificate, if and when the District no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

The District has agreed that their undertaking pursuant to the Rule is intended to be for the benefit of the holders or beneficial owners of the Bonds, and shall be enforceable by such holders or beneficial owners; provided that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the District's obligations hereunder and any failure by the District to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

Financial information regarding the District can be obtained from the Superintendent of the District, 124 E. Washington Street, Hartford, Kentucky 42347, telephone: (270) 298-7704.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Rubin & Hays, Louisville, Kentucky, Bond Counsel. The approving legal opinion of Bond Counsel will contain a statement of tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Bonds under the headings "The Bonds," "Security for the Bonds," "Refunding Program", "Estimated Sources and Uses of Funds," "Tax Exemption" and "Disclosure Compliance" and is of the opinion that such information is a fair summary of the principal provisions of the instruments and information therein described.

ENVIRONMENTAL MATTERS

The District has obtained all necessary permits and approvals for the operation of the System and it is not aware of any federal or other regulations concerning the operation with which it is presently not in compliance. There is currently no environmental litigation pending or threatened in connection with the System or the operation thereof.

AUTHENTICITY OF INFORMATION

The information and financial data contained herein have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. The District does not make any representation as to either the accuracy or completeness of such information and financial data or that there has not been a material change therein since the date of this Official Statement. There is no guarantee that any of the assumptions or estimates contained herein will be realized.

All summaries of statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

BOND RATING

Standard & Poor's Ratings Services ("S&P") has assigned the Bonds a rating of "AA" based upon the Build America Mutual Assurance Company municipal bond insurance policy.

Such rating reflects only the opinion of S&P and an explanation of the significance of such rating may be obtained directly therefrom. Moody's Investors Service, Inc. has assigned an underlying rating of "A1" to the Bonds. There can be no assurance that a rating will continue for any period of time or that a rating will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Additionally, due to the ongoing uncertainty regarding the debt of the United States of America, including without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Furthermore, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, such as the Bonds.

UNDERWRITING

City Securities Corp. (the "Underwriter") has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds from the Issuer at a purchase price equal to \$966,689.81, which represents the aggregate principal amount of the Bonds, plus the original issue premium, less original issue discount, less the Underwriter's discount. The Underwriter is committed to purchase all of the Bonds if any are purchased. The initial public offering prices as set forth on the inside front cover may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

Prospective bidders are advised that J.J.B. Hilliard, W.L. Lyons, LLC ("Hilliard Lyons") has been employed as Financial Advisor in connection with the issuance of the Bonds. Hilliard Lyons' fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

The covenants and agreements of the District with the holders of the Bonds are fully set forth in the Resolution and reference is hereby made to that document for a definitive statement of the rights and obligations of the Bondholders and the District. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of any of the Bonds. Any statements herein contained involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

CONCLUDING STATEMENT

The District has approved and caused this Official Statement to be executed and delivered by its Chairman. The financial information supplied by the District and reproduced herein is represented by the District to be correct.

The references herein to the Act and the Resolution, as supplemented and amended, are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act and the Resolution, as supplemented and amended. Copies of such documents are on file at the offices of the Financial Advisor and at the office of the Bond Counsel.

The agreement of the District with the Bondholders is fully set forth in the Resolution, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchaser of the Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

No dealer, broker, salesman or other person has been authorized by the District or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the District and believed to be reliable; however, such information has not been verified as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor or by Bond Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

OHIO COUNTY WATER DISTRICT

By */s/ Harry Storm*
Chairman