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FEB 05 2007

PUBLIC SERVICE
COMMISSION

Consumers Water District

February 2, 2007

Mr. Jack Kaninberg
Kentucky Public Service Commission
211 Sower Blvd
PO Box 615
Frankfort, Kentucky 40602-0615

Case No. 2007-00057

Dear Mr. Kaninberg:

Enclosed please find the original and 10 copies of Consumers Water District's proposed rate application. Please note that an attachment regarding the District's outstanding indebtedness has been added.

Please feel free to contact me at 270/251-6122 or henry.hodges@purchaseadd.org if you have questions or need additional information.

Sincerely,



Henry Hodges, Chairman

Cc: Office of the Attorney General

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

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

RECEIVED

FEB 05 2007

PUBLIC SERVICE
COMMISSION

Consumers Water District
Name of Utility

4182 State Route 121 S.

Mayfield, Kentucky 42066
Business Mailing Address

Telephone Number (270) 251-6126
Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Henry Hodges, Chairman

Address: 4182 State Route 121 S.
Mayfield, KY 42066

Telephone Number: (270) 251-6122

- | | | | |
|----|---|-----|----|
| 1) | Do you have 500 customers or fewer? | Yes | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? Deviation Requested – 2005 Water Sales are under the threshold at \$294,073, and Total Operating Revenue is only slightly above the threshold at \$310,497. | Yes | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | Yes | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | Yes | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both

questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2005.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

See Attachment A.

b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Please see the notes to Attachment A.

i. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

See attachments

III. Other Information

a. Please complete the following questions:

1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

2) Total number of Customers
as of the date of filing: 1,578

3) Total amount of increased
revenue requested: \$107,978

- 4) Please circle Yes or No:
- a) Does the utility have any outstanding indebtedness? Yes No
- If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.
- b) Were all revenues and expenses listed in the Annual Report for 2005 incurred and collected from January 1 to December 31 of that year? Yes No
- If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.
- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2005 and the amount shown on this schedule. – **Depreciation schedule attached.**
- 6) If utility is a sewer utility:
- a) Attach a copy of the latest State and Federal Income Tax Returns. **Not applicable**
- b) How much of the utility plant was recovered through the sale of lots or other contributions? (If unknown, state the reason).
- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Consumers Water District has not increased its general rates since 1998. Since then, its costs have risen and it now purchases 100 percent of its water requirements from Mayfield. Mayfield has increased its water rates and Consumers has not utilized a purchased water adjustment mechanism to recover its increased purchased water costs. In addition, Consumers' depreciation expense has increased substantially since its 1998 rate order because of plant additions.

IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the

1st 2,000 minimum x 1,830 bills = 3,660,000 gallons –
record in Column 4.

Next 3,000 gallons x 1,830 bills = 5,490,000 gallons –
record in Column 5.

Next 10,000 gallons – remainder of water over 3,000
= 7,118,700 gallons – record in Column 6.

Step4: Next 25,000 gallons rate level
650 Bills

15,275,000 gallons used

1st 2,000 minimum x 650 bills = 1,300,000 gallons –
record in Column 4.

Next 3,000 gallons x 650 bills = 1,950,000 gallons –
record in Column 5.

Next 10,000 gallons x 650 bills = 6,500,000 gallons –
record in Column 6.

Next 25,000 gallons – remainder of water over 10,000
= 5,525,000 gallons – record in Column 7.

Step5: Over 40,000 gallons rate level
153 Bills

9,975,600 gallons used

1st 2,000 minimum x 153 bills = 306,000 gallons –
record in Column 4.

Next 3,000 gallons x 153 bills = 459,000 gallons –
record in Column 5.

Next 10,000 gallons x 153 bills = 1,530,000 gallons –
record in Column 6.

Next 25,000 gallons x 153 bills = 3,825,000 gallons –
record in Column 7.

Over 40,000 gallons – remainder of water over 25,000
= 3,855,600 gallons – record in Column 8.

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

SAMPLE

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

USAGE TABLE

Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE

Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

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

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

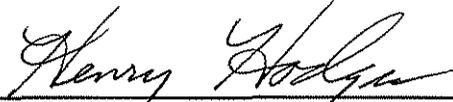
Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed



Officer of the Company

Title

CHAIRMAN

Date

2-1-07

Consumers WD Attachment A	2005	Adjustments	Notes	Adjusted
Water Sales Revenue	\$294,073	\$1,851		\$295,924
Other Operating Revenue	\$16,424	0		\$16,424
Water Sales Revenue	\$310,497	\$1,851	A	\$312,348
Employee Salaries	0	0		0
Officer Salaries	\$12,595	(\$900) (\$895)	B	\$10,800
Purchased Water	\$116,195	\$12,046	C	\$128,241
Purchased Power	\$5,548	0		\$5,548
Chemicals (Testing)	\$2,891	0		\$2,891
Materials/Supplies	\$7,380	\$4,542	D	\$11,922
Contract Services-Management Fees	\$113,377	(\$700) \$800	E	\$113,477
Transportation Expense	0	0		0
Insurance Expense	\$7,227	0		\$7,227
Regulatory Commission Expense		\$514	F	\$514
Miscellaneous Expense	\$6,672	(\$1,400) (\$514)	G	\$4,758
<i>Tot. Water Utility Expense</i>	<i>\$271,885</i>	<i>\$13,493</i>		<i>\$285,378</i>
Depreciation Expense	\$91,358	0		\$91,358
Amortization Expense	0	\$467	H	\$467
Taxes OT Income	0	\$826	I	\$826
Total Operating Expenses	\$363,243	\$14,786		\$378,029
<i>Total Operating Income</i>	<i>(\$52,746)</i>	<i>\$12,935</i>		<i>(\$65,681)</i>
Interest Income	\$2,063	(\$212)	J	\$1,851
Interest Expense	\$10,510	(\$2,585)	K	\$7,925
Net Income	(\$61,193)	(\$10,562)		(\$71,755)

Revenue Requirement

\$ 378,029- Adjusted Operating Expenses

\$ 44,148 – Debt Service (see below)

\$ 422,177 - Revenue Requirement

(\$312,348) - Less Normalized Revenues

(\$ 1,851) - Less Interest Income

\$ 107,978 - Justified Increase (36.49% increase over \$295,924 in normalized water sales)

Debt Service	2007	2008	2009	
1 st Ky. Bank				
-Principal	\$27,480	\$29,841	\$17,936	
-Interest	\$4,629	\$2,268	\$901	
Total	\$32,109	\$32,109	\$18,837	
Fifth Third Lease				
-Principal	\$10,000	\$15,000	\$15,000	
-Interest	\$3,296	\$2,868	\$2,226	
Total	\$13,296	\$17,868	\$17,226	
Total of Both	\$45,405	\$50,977	\$36,063	\$132,445
				3 yr. avg =
				\$44,148

Note – PSC records suggest this debt was not approved by PSC, but it was used for utility purposes and appears reasonable, and is therefore included for ratemaking purposes.

Explanatory Notes:

A. Normalized Revenues as determined by PSC Staff's billing analysis

B. Officer Salaries was adjusted to reflect annual salaries of \$3,600 apiece for 3 Commissioners, and to remove and reclassify FICA taxes.

C. Purchased Water Expense based on PSC Staff's billing analysis, which determined normalized sales of 94,175,300 gallons. Since 2005 sales were 95.2% of purchases, this translates into normalized gallons purchased of 98,923,634 annually. At the current purchased water rates paid to Mayfield, the resulting normalized purchased water expense is \$128,241

D. Materials and Supplies Expense was low during 2005, and the 2004 level for Materials and Supplies Expense of \$11,922 was more reflective of pro forma purchases, especially with increases in materials prices.

E. Contractual Services Expense was adjusted for two items – the removal of \$700 in Christmas bonuses paid to contractors performing duties on behalf of the water district, and an increase in the annual CPA audit fee from \$3,000 to \$3,800.

F. Regulatory Commission Expense was adjusted by \$514 to remove the PSC assessment from Miscellaneous Expenses and reclassify it.

G. Miscellaneous Expense was adjusted for two items – the removal of a \$1,400 nonrecurring Kentucky Infrastructure Authority ("KIA") administrative fee, and the reclassification of the PSC assessment of \$514.

H. Amortization Expense was adjusted by \$467 to allow a three-year recovery for the nonrecurring KIA administrative fee associated with a grant.

I. Taxes Other Than Income Expense was adjusted to include FICA taxes of \$826, based on Officer Salaries of \$10,800 taxed at a rate of 7.65%.

J. Interest Income was adjusted to remove the 10.3% of interest income associated with restricted assets.

K. Interest Expense was adjusted to reflect 2007 interest expense.

CONSUMER WATER DISTRICT
Federal Projected Depreciation Report
As of tax year 12/31/04

11/07/06
COMMENTS

Asset #	Purchase Date	Description	Dpr Meth	MAC Con	Life	Cost	Basis	Depreciation							
								2004	2005	2006	2007	2008			
133	06/01/97	WATERMAIN-REPLACE LINE	40.0	N-ADS	HY	915	915	23	23	23	23	23	23	23	
134	06/01/97	WATERMAIN EXT-BROOKS SUB	40.0	N-ADS	HY	3,355	3,355	84	84	84	84	84	84	84	
135	06/01/97	WATERMAIN EXT-BROOKS SUB	40.0	N-ADS	HY	2,107	2,107	53	53	53	53	53	53	53	
136	06/01/97	HEATER	10.0	N-ADS	HY	173	173	17	17	17	17	17	17	0	
137	06/01/97	METERS (134)	40.0	N-ADS	HY	4,230	4,230	106	106	106	106	106	106	106	
138	06/01/97	METER INSTALLATION	40.0	N-ADS	HY	2,045	2,045	51	51	51	51	51	51	51	
139	06/01/97	METER INSTALLATION	40.0	N-ADS	HY	2,995	2,995	75	75	75	75	75	75	75	
140	06/01/97	METER INSTALLATION	40.0	N-ADS	HY	4,569	4,569	114	114	114	114	114	114	114	
141	06/01/97	TIE IN PROJECT	50.0	N-ADS	HY	8,278	8,278	166	166	166	166	166	166	166	
142	07/01/87	CAPITALIZED	50.0	N-ADS	HY	10,941	10,941	219	219	219	219	219	219	219	
143	06/01/97	TIE IN PROJECT	50.0	N-ADS	HY	4,298	4,298	86	86	86	86	86	86	86	
144	06/01/97	TIE IN PROJECT	50.0	N-ADS	HY	41,855	41,855	837	837	837	837	837	837	837	
145	06/01/97	ORGANIZATIONAL COSTS	5.0	N-ADS	HY	1,022	1,022	0	0	0	0	0	0	0	
146	06/01/97	TIE IN PROJECT	50.0	N-ADS	HY	39,780	39,780	796	796	796	796	796	796	796	
147	06/01/97	METER INSTALLATION	40.0	N-ADS	HY	207	207	5	5	5	5	5	5	5	
148	06/01/97	METER INSTALLATION	40.0	N-ADS	HY	3,368	3,368	84	84	84	84	84	84	84	
150	01/01/80	CAPITALIZED ITEMS	50.0	S/L		2,726	2,726	55	55	55	55	55	55	55	
151	01/01/80	BORNS	50.0	S/L		511	511	10	10	10	10	10	10	10	
152	01/01/81	BORNS	50.0	S/L		1,219	1,219	24	24	24	24	24	24	24	
153	01/01/81	LITUS	50.0	S/L		11,268	11,268	225	225	225	225	225	225	225	
154	01/01/82	BORNS	50.0	S/L		420	420	8	8	8	8	8	8	8	
155	01/01/83	LINE & BORES	50.0	S/L		2,868	2,868	57	57	57	57	57	57	57	
156	01/01/84	LINE & BORES (16)	50.0	S/L		2,777	2,777	0	0	0	0	0	0	0	
157	05/01/85	LINE & BORES	50.0	S/L		1,850	1,850	37	37	37	37	37	37	37	
128	05/01/96	HYDRANT	33.3	N-ADS	HY	325	325	10	10	10	10	10	10	10	
231	09/01/02	COPIER	5.0	M-Reg	BY	1,750	1,750	336	202	202	202	202	100	0	
218	07/01/99	WATERMAIN EXTENSION	40.0	M-S/L	HY	30,621	30,621	766	766	766	766	766	766	766	
219	07/01/99	SEALING OF WELL	226	M-S/L	HY	8,226	8,226	1	1	1	1	1	1	1	
220	07/01/99	PAVING DRIVEWAY	15.0	M-S/L	HY	4,660	4,660	311	311	311	311	311	311	311	
221	01/10/00	METERS INSTALLED-TAP OMS	7.0	M-Reg	HY	11,678	11,678	1,043	1,043	1,043	1,043	1,043	520	0	
222	05/10/00	HYDRANTS	7.0	M-Reg	HY	1,038	1,038	93	93	93	93	93	45	0	
223	02/10/00	WATER WALK	20.0	M-Reg	HY	38,555	38,555	2,203	2,038	1,885	1,743	1,720	1,720	1,720	
224	05/10/00	METER HEATER-OFFICE	5.0	M-Reg	HY	598	598	69	34	0	0	0	0	0	
225	03/10/00	OFFICE EQUIPMENT	3.0	M-Reg	BY	125	125	0	0	0	0	0	0	0	
226	03/10/00	BRACING UNDER BRIDGE	7.0	M-Reg	HY	1,443	1,443	129	129	129	129	129	65	0	

CONSUMER WATER DISTRICT
Federal Projected Depreciation Report
As of tax year 12/31/04

Asset #	Purchase Date	Description	Depr Meth	Con	MAC	Cost	Basis	Depreciation				
								2004	2005	2006	2007	2008
227	05/14/02	BUILDING IMPROVEMENTS	27.5	M-Reg	MAC	5,492	5,492	200	200	200	200	200
228	05/14/02	CAPITAL IMPROVEMENT	39.0	M-Reg	MAC	40,271	40,271	1,033	1,033	1,033	1,033	1,033
229	01/15/02	COMPUTERS	5.0	M-Reg	NY	3,151	3,151	605	363	182	0	0
230	05/14/02	TAP-ONS	27.5	M-Reg	MAC	9,644	9,644	351	351	351	351	351
217	07/01/99	METER INSTALLATION	40.0	M-S/L	NY	15,110	15,110	378	378	378	378	378
232	07/15/02	REFRIGERATOR	5.0	M-Reg	NY	450	450	86	52	26	0	0
233	07/11/02	ANSWER MAC	3.0	M-Reg	NY	37	37	5	4	0	0	0
234	05/30/02	STORAGE BIDS	7.0	M-Reg	NY	2,214	2,214	387	277	188	197	198
235	07/01/01	CEYACK IIR	7.0	M-Reg	NY	1,373	1,373	171	123	122	123	61
236	03/15/01	METER INSTALLED	7.0	M-Reg	NY	10,340	10,340	1,291	923	922	279	0
237	12/31/01	CAPITAL IMP	20.0	M-Reg	NY	10,232	10,232	632	585	541	500	463
238	02/15/01	CAPITAL IMP	20.0	M-Reg	MO	1,952	1,952	117	106	180	93	87
239	05/18/01	KIDBRANTS	7.0	M-Reg	MO	554	554	66	49	49	49	19
240	03/01/03	BUILDING IIR	27.5	M-Reg	MA	1,985	1,985	72	72	72	72	72
241	07/01/03	CAPITAL IMP-03	39.0	M-Reg	MA	999,138	999,138	25,618	25,618	25,618	25,618	25,618
242	07/01/03	TAP ONS-03	20.0	M-Reg	NY	6,108	6,108	441	408	377	349	323
243	07/01/04	CAPITAL IMPROVEMENTS	20.0	M-ADS	NY	103,719	103,719	2,593	5,186	5,186	5,186	5,186
244	12/31/04	EQUIPMENT-EVALUATRY	10.0	M-ADS	NY	1,000	1,000	50	100	100	100	100
245	06/15/04	LINE REPAIRS AND MAINTENANCE	40.0	M-ADS	NY	22,642	22,642	283	566	566	566	566
189	01/01/78	CAP. EXPENSE	40.0	S/L		2,238	2,238	56	56	56	56	56
202	10/26/98	YAMA FLASH, WATER PUMP	20.0	M-ADS	MD	299	299	15	15	15	15	15
190	01/01/79	CAP. EXPENSE	40.0	S/L		2,422	2,422	61	61	61	61	61
191	01/01/79	CAP. EXPENSE	40.0	S/L		933	933	23	23	23	23	23
192	01/01/79	CAP. EXPENSE	40.0	S/L		6,241	6,241	156	156	156	156	156
193	01/01/80	CAP. EXPENSE	40.0	S/L		887	887	22	22	22	22	22
194	05/01/85	METERS (38)	40.0	S/L		3,139	3,139	78	78	78	78	34
195	06/01/86	METERS (29)	40.0	S/L		4,772	4,772	119	119	119	119	119
196	07/01/87	CAP.	40.0	M-ADS	NY	5,565	5,565	139	139	139	139	139
197	07/01/88	CAP.	40.0	M-ADS	NY	8,536	8,536	213	213	213	213	213
197	08/03/88	CAMPS BACKHOE BRIN SUB	40.0	M-ADS	MA	3,472	3,472	67	67	67	67	67
198	08/03/88	UTILITY PIPE ERIN	40.0	M-ADS	MA	1,918	1,918	48	48	48	48	48
199	08/10/88	UTILITY PIPE ERIN	40.0	M-ADS	MA	30	30	0	0	0	0	0
200	08/10/88	YOUNGBLOODS RAIN	40.0	M-ADS	MA	55	55	1	1	1	1	1
201	09/24/98	G AND C BRIN	40.0	M-ADS	MA	47	47	0	0	0	0	0
216	01/04/99	ELECTRIC WIRING	20.0	M-S/L	NY	1,270	1,270	64	64	64	64	64

CONSUMER WAYER DISTRICT
Federal Projected Depreciation Report
As of tax year 12/31/04

11/07/06
CONSHEWD

Asset #	Purchase Date	Description	Depr Mth	Con	Misc	Cost	Basis	Depreciation							
								2004	2005	2006	2007	2008			
203	12/31/98	TAP ON SUP	40.0	M-ADS	MA	4,811	4,811	120	120	120	120	120	120	120	
204	12/31/98	CAMP TAPS	40.0	M-ADS	MA	1,550	1,550	39	39	39	39	39	39	39	
205	12/31/98	NEW TRACTOR TAP ON	40.0	M-ADS	MA	2,964	2,964	74	74	74	74	74	74	74	
206	12/31/98	O & N TAP ONS	40.0	M-ADS	MA	1,665	1,665	42	42	42	42	42	42	42	
207	12/31/98	TIC 5BR	40.0	M-ADS	MA	26,308	26,308	658	658	658	658	658	658	658	
208	12/31/98	ST RT 940	40.0	M-ADS	MA	20,201	20,201	505	505	505	505	505	505	505	
209	12/31/98	ST RT 303	40.0	M-ADS	MA	5,574	5,574	139	139	139	139	139	139	139	
210	12/31/98	METERS	40.0	M-ADS	MA	2,021	2,021	51	51	51	51	51	51	51	
211	06/30/98	METERS INSTALLED	40.0	M-ADS	MA	2,021	2,021	51	51	51	51	51	51	51	
212	01/01/99	COMPUTER HARDWARE	5.0	M-S/L	HY	5,672	5,672	569	0	0	0	0	0	0	
213	10/10/99	MISC EQUIPMENT	5.0	M-Reg	HY	1,050	1,050	60	0	0	0	0	0	0	
214	01/01/99	HEATERS	5.0	M-Reg	HY	259	259	14	0	0	0	0	0	0	
215	01/01/99	PUMP	68.0	M-S/L	HY	768	768	1	1	1	1	1	1	1	
1	01/01/79	FOUNDATION	20.0	S/L		4,581	4,581	0	0	0	0	0	0	0	
49	01/01/75	CAPITALIZED EXPENSE	50.0	S/L		1,437	1,437	29	29	29	29	29	29	29	
35	05/01/85	CHAIR	10.0	A-S/L		119	119	0	0	0	0	0	0	0	
36	05/01/85	TYPEWRITER	10.0	A-S/L		695	695	0	0	0	0	0	0	0	
37	05/01/85	STAND	10.0	A-S/L		146	146	0	0	0	0	0	0	0	
38	05/01/85	CALCULATOR	10.0	A-S/L		234	234	0	0	0	0	0	0	0	
39	06/01/88	NEW VANITY & INSTALLATION	10.0	M-ADS	HY	410	410	0	0	0	0	0	0	0	
40	06/01/88	FILING CABINETS	10.0	M-ADS	HY	271	271	0	0	0	0	0	0	0	
41	11/01/90	COMPUTER	10.0	M-ADS	HY	7,428	7,428	0	0	0	0	0	0	0	
43	08/01/69	MACHINE	10.0	S/L		542	542	0	0	0	0	0	0	0	
44	01/01/82	PUMP 1	20.0	S/L		6,798	6,798	0	0	0	0	0	0	0	
45	01/01/82	PUMP 2	20.0	S/L		8,803	8,803	0	0	0	0	0	0	0	
46	01/01/82	MAINS	50.0	S/L		403,704	403,704	9,074	9,074	9,074	9,074	9,074	9,074	9,074	
47	01/01/82	EXTRAWORK	50.0	S/L		2,887	2,887	58	58	58	58	58	58	58	
48	01/01/79	CAPITALIZED EXPENSE	50.0	S/L		7,076	7,076	142	142	142	142	142	142	142	
34	05/01/85	DESK	10.0	A-S/L		250	250	0	0	0	0	0	0	0	
50	01/01/77	CAPITALIZED ITEMS	50.0	S/L		10,718	10,718	214	214	214	214	214	214	214	
51	01/01/79	CAPITALIZED ITEMS	50.0	S/L		6,958	6,958	139	139	139	139	139	139	139	
53	11/01/69	LINCH COUST	40.0	S/L		143	143	4	4	4	4	4	4	4	
54	09/01/69	H A PETHER	40.0	S/L		89	89	2	2	2	2	2	2	2	
55	08/01/70	H A PETHER	40.0	S/L		376	376	9	9	9	9	9	9	9	
56	12/01/70	E CORNMAN	40.0	S/L		178	178	4	4	4	4	4	4	4	

CONSUMER WATER DISTRICT
Federal Projected Depreciation Report
As of tax year 12/31/04

11/07/06
CONSOLID

Asset #	Purchase Date	Description	Depr Meth	EAC	Con	Misc	Cost	Basis	Depreciation							
									2004	2005	2006	2007	2008			
57	12/01/70	PETTER	40.0 S/L				187	107	5	5	5	5	5	5		
58	09/01/71	PETTER	40.0 S/L				155	155	4	4	4	4	4	4		
59	11/01/71	CAP. EXPENSE	40.0 S/L				422	422	11	11	11	11	11	11		
60	12/01/71	MCC	40.0 S/L				1,145	1,145	29	29	29	29	29	29		
61	01/01/72	CAP. EXPENSE	40.0 S/L				4,430	4,430	111	111	111	111	111	111		
62	01/01/73	CAP. EXPENSE	40.0 S/L				8,517	8,517	213	213	213	213	213	213		
63	01/01/74	CAP. EXPENSE	40.0 S/L				761	761	19	19	19	19	19	19		
64	01/01/75	CAP. EXPENSE	40.0 S/L				2,609	2,609	65	65	65	65	65	65		
65	01/01/76	CAP. EXPENSE	40.0 S/L				1,526	1,526	38	38	38	38	38	38		
15	01/01/54	LAND	0.0				2,976	2,976	0	0	0	0	0	0		
2	01/01/79	MATERIALS	20.0 S/L				27,416	27,416	0	0	0	0	0	0		
3	01/01/79	ERACTON	20.0 S/L				14,317	14,317	0	0	0	0	0	0		
4	01/01/79	EAIDT & CLEAN-UP	20.0 S/L				2,806	2,806	0	0	0	0	0	0		
5	01/01/79	TANK	20.0 S/L				28,890	28,890	0	0	0	0	0	0		
6	01/01/84	TOWER BY PASS	20.0 S/L				951	951	0	0	0	0	0	0		
7	07/01/87	ELEVATED WATER TANK	40.0 M-ADS HY				213,508	213,508	5,338	5,338	5,338	5,338	5,338	5,338		
8	07/01/88	121 SITE COMPLETED	40.0 M-ADS HY				27,779	27,779	694	694	694	694	694	694		
9	07/01/88	PAINTING TOWER	40.0 M-ADS HY				18,642	18,642	466	466	466	466	466	466		
10	12/31/90	MATERIALS	40.0 M-ADS HY				9,030	9,030	226	226	226	226	226	226		
11	12/31/89	EASEMENTS	40.0 M-ADS HY				731	731	18	18	18	18	18	18		
12	12/31/89	LAND	0.0				5,000	5,000	0	0	0	0	0	0		
13	12/31/89	GROUD DRIVEWAY	40.0 M-ADS HY				84	84	2	2	2	2	2	2		
14	01/01/54	SURVEY	40.0 S/L				251	251	0	0	0	0	0	0		
33	01/01/84	NEATERS	10.0 A-S/L				141	141	0	0	0	0	0	0		
16	05/01/85	SITE PREPARATION	0.0				292	292	0	0	0	0	0	0		
17	06/01/79	STRUCTURE & IMPROVEMENT	20.0 S/L				5,791	5,791	0	0	0	0	0	0		
18	06/01/79	OFFICE ADDITION	20.0 S/L				14,517	14,517	0	0	0	0	0	0		
19	07/01/87	CONTROL HOUSE	20.0 M-ADS HY				9,950	9,950	498	498	498	498	498	498		
21	06/30/88	REBUILD CONTROL HOUSE	20.0 M-ADS HY				1,529	1,529	76	76	76	76	76	76		
23	06/01/69	WALL CABINET	10.0 S/L				310	310	0	0	0	0	0	0		
24	07/01/69	TYPEWRITER	8.0 S/L				365	365	0	0	0	0	0	0		
25	11/01/69	CALCULATOR	8.0 S/L				520	520	0	0	0	0	0	0		
26	07/01/69	I D MERNAL LOCETIL	10.0 S/L				110	110	0	0	0	0	0	0		
27	01/01/82	CALCULATOR	10.0 A-S/L				120	120	0	0	0	0	0	0		
28	01/01/82	TABLE & CHAIRS	10.0 A-S/L				144	144	0	0	0	0	0	0		

CONSUMER WATER DISTRICT
Federal Projected Depreciation Report
As of tax year 12/31/04

11/07/06
CONSUMED

Asset #	Purchase Date	Description	Depr Meth	MAC Con	Life	Cost	Basis	Depreciation				
								2004	2005	2006	2007	2008
29	01/01/83	SUFER	10.0	A-S/L	185	185	0	0	0	0	0	0
30	01/01/84	COPIER	10.0	A-S/L	1,595	1,595	0	0	0	0	0	0
32	01/01/84	PHONE SYSTEM	10.0	A-S/L	158	158	0	0	0	0	0	0
126	05/01/96	WATERLINE SUPPLIES	40.0	M-ADS HY	4,444	4,444	111	111	111	111	111	111
111	07/01/95	WATER MAIN EXTENSION	40.0	M-ADS HY	12,292	12,292	307	307	307	307	307	307
98	07/01/93	WATER LINES	50.0	M-ADS HY	4,272	4,272	85	85	85	85	85	85
99	01/01/94	METERS (110)	40.0	M-ADS HY	3,685	3,685	92	92	92	92	92	92
100	01/01/94	ROCK DRIVEWAY	10.0	M-ADS HY	1,053	1,053	2	0	0	0	0	0
101	01/01/94	CARPET	10.0	M-ADS HY	874	874	3	0	0	0	0	0
102	01/01/94	FENCE	10.0	M-ADS HY	560	560	0	0	0	0	0	0
103	01/01/94	MASTER METER	40.0	M-ADS HY	2,195	2,195	55	55	55	55	55	55
104	01/01/94	WATER PUMP	40.0	M-ADS HY	4,051	4,051	101	101	101	101	101	101
105	01/01/94	METER REPAIR	40.0	M-ADS HY	685	685	17	17	17	17	17	17
106	07/01/95	CHEMICAL PUMP	40.0	M-ADS HY	3,624	3,624	91	91	91	91	91	91
107	07/01/94	FALTY/INSECT TANK	40.0	M-ADS HY	50,520	50,520	1,263	1,263	1,263	1,263	1,263	1,263
108	01/01/94	OFFICE REPAIR	40.0	M-ADS HY	2,165	2,165	54	54	54	54	54	54
109	01/01/94	SIGNS	40.0	M-ADS HY	636	636	16	16	16	16	16	16
110	07/01/94	CONTROL CABINET	40.0	M-ADS HY	13,158	13,158	329	329	329	329	329	329
97	07/01/93	ROAD BOARDS	50.0	M-ADS HY	1,873	1,873	37	37	37	37	37	37
112	07/01/95	42 WATER METERS	40.0	M-ADS HY	17,850	17,850	446	446	446	446	446	446
113	07/01/95	CONTROL METER	40.0	M-ADS HY	1,650	1,650	41	41	41	41	41	41
114	07/01/95	CONTROLS WATER TANK	40.0	M-ADS HY	754	754	19	19	19	19	19	19
115	07/01/95	CHEMICAL PUMP	5.0	N-ADS HY	802	802	0	0	0	0	0	0
116	07/01/95	SIDING FOR BLDG	20.0	M-ADS HY	1,295	1,295	65	65	65	65	65	65
117	07/01/95	RELOCATION COSTS	40.0	M-ADS HY	5,175	5,175	129	129	129	129	129	129
118	05/01/96	137 WATER METERS	40.0	M-ADS HY	5,315	5,315	133	133	133	133	133	133
119	07/01/96	COMPUTER HARDWARE	5.0	M-ADS HY	482	482	0	0	0	0	0	0
120	07/01/96	COPIER	5.0	M-ADS HY	1,477	1,477	0	0	0	0	0	0
121	07/01/96	FAX MACHINE	5.0	M-ADS HY	599	599	0	0	0	0	0	0
122	07/01/96	GATE VALVE	5.0	M-ADS HY	407	407	0	0	0	0	0	0
123	05/01/96	WATER LINES-NESSIE	40.0	M-ADS HY	6,571	6,571	164	164	164	164	164	164
124	05/01/96	WATER MAIN EXT-LAM	40.0	M-ADS HY	5,856	5,856	146	146	146	146	146	146
125	05/01/96	ROAD BOARDS	50.0	M-ADS HY	12,148	12,148	243	243	243	243	243	243
65	01/01/76	CAP. EXPENSE	40.0	S/L	2,166	2,166	54	54	54	54	54	54
81	07/01/87	WELL	20.0	M-ADS HY	18,762	18,762	0	0	0	0	0	0

Consumers Water District

Rate Increase

Calculation of Water Rates	Sheet 1
Verification of Rates	Sheet 2
Proposed Rates	Sheet 3
Comparison of Rates – 5/8" x 3/4"	Sheet 4
Comparison of Rates – 1"	Sheet 5
Comparison of Rates – 2"	Sheet 6

Calculation of Water Rates	
Consumers Water District	

	Current Rates		Proposed Rates	
<u>5/8 x 3/4 Meter</u>				
First 2,000 gallons	8.80	Minimum Bill	12.01	Minimum Bill
Next 8,000 gallons	2.16	per 1,000 gallons	2.95	per 1,000 gallons
Next 10,000 gallons	2.00	per 1,000 gallons	2.73	per 1,000 gallons
Next 30,000 gallons	1.85	per 1,000 gallons	2.53	per 1,000 gallons
Over 50,000 gallons	1.55	per 1,000 gallons	2.12	per 1,000 gallons
<u>1" Meter</u>				
First 10,000 gallons	26.16	Minimum Bill	35.61	Minimum Bill
Next 10,000 gallons	2.00	per 1,000 gallons	2.73	per 1,000 gallons
Next 30,000 gallons	1.85	per 1,000 gallons	2.53	per 1,000 gallons
Over 50,000 gallons	1.55	per 1,000 gallons	2.12	per 1,000 gallons
<u>2" Meter</u>				
First 20,000 gallons	46.08	Minimum Bill	62.91	Minimum Bill
Next 30,000 gallons	1.85	per 1,000 gallons	2.53	per 1,000 gallons
Over 50,000 gallons	1.55	per 1,000 gallons	2.12	per 1,000 gallons

Verification of Proposed Rates				
Consumers Water District				
	Bills	Gallons	Rate	Revenue
5/8 x 3/4 Inch Meter				
First 2,000 gallons	18,751	33,745,900	\$12.01	\$225,200
Next 8,000 gallons		49,341,700	\$2.95	145,558
Next 10,000 gallons		5,525,600	\$2.73	15,085
Next 30,000 gallons		1,884,600	\$2.53	4,768
Over 50,000 gallons		643,500	\$2.12	1,364
1 Inch Meter				
First 10,000 gallons	146	819,200	\$35.61	\$5,199
Next 10,000 gallons		378,800	2.73	1,034
Next 30,000 gallons		563,700	2.53	1,426
Over 50,000 gallons		463,300	2.12	982
2 Inch Meter				
First 20,000 gallons	38	401,700	\$62.91	\$2,391
Next 30,000 gallons		272,800	2.53	690
Over 50,000 gallons		134,500	2.12	285
Total Revenue from Rates	18,935	94,175,300		\$403,982

Consumers Water District			
Proposed Monthly Water Rates			
5/8 x 3/4 Inch Meter			
First 2,000 gallons		\$12.01	Minimum bill
Next 8,000 gallons		2.95	per 1,000 gallons
Next 10,000 gallons		2.73	per 1,000 gallons
Next 30,000 gallons		2.53	per 1,000 gallons
Over 50,000 gallons		2.12	per 1,000 gallons
1 Inch Meter			
First 10,000 gallons		\$35.61	Minimum bill
Next 10,000 gallons		2.73	per 1,000 gallons
Next 30,000 gallons		2.53	per 1,000 gallons
Over 50,000 gallons		2.12	per 1,000 gallons
2 Inch Meter			
First 20,000 gallons		\$62.91	Minimum bill
Next 30,000 gallons		2.53	per 1,000 gallons
Over 50,000 gallons		2.12	per 1,000 gallons

Comparison of Rates 5/8 x 3/4 Inch Consumers Water District				
Gallon Usage	Current Rates	Proposed Rates	Increase	Percentage
2,000	\$8.80	\$12.01	3.21	36.5%
3,000	10.96	14.96	4.00	36.5%
4,000	13.12	17.91	4.79	36.5%
5,000	15.28	20.86	5.58	36.5%
6,000	17.44	23.81	6.37	36.5%
7,000	19.60	26.76	7.16	36.5%
8,000	21.76	29.71	7.95	36.5%
9,000	23.92	32.66	8.74	36.5%
10,000	26.08	35.61	9.53	36.5%
15,000	36.08	49.26	13.18	36.5%
20,000	46.08	62.91	16.83	36.5%
25,000	55.33	75.56	20.23	36.6%
30,000	64.58	88.21	23.63	36.6%
35,000	73.83	100.86	27.03	36.6%
40,000	83.08	113.51	30.43	36.6%
50,000	101.58	138.81	37.23	36.7%
75,000	140.33	191.81	51.48	36.7%
100,000	179.08	244.81	65.73	36.7%
150,000	256.58	350.81	94.23	36.7%

Comparison of Rates		
Current Rates		Proposed
Block Usage	Rate	Rates
First 2,000 gallons	\$8.80	\$12.01
Next 8,000 gallons	2.16	\$2.95
Next 10,000 gallons	2.00	\$2.73
Next 30,000 gallons	1.85	\$2.53
Over 50,000 gallons	1.55	\$2.12

Effect on Customer Average Bill - 5,000 Gallons Usage			
Current Rates	Proposed Rates	Amount Increase	% Increase
\$15.28	\$20.86	\$5.58	36.50%

Comparison of Rates - 1 Inch Meter				
Consumers Water District				
Gallon Usage	Current Rates	Proposed Rates	Increase	Percentage
10,000	\$26.16	\$35.61	9.45	36.1%
15,000	36.16	49.26	13.10	36.2%
20,000	46.16	62.91	16.75	36.3%
25,000	55.41	75.56	20.15	36.4%
30,000	64.66	88.21	23.55	36.4%
35,000	73.91	100.86	26.95	36.5%
40,000	83.16	113.51	30.35	36.5%
50,000	101.66	138.81	37.15	36.5%
75,000	140.41	191.81	51.40	36.6%
100,000	179.16	244.81	65.65	36.6%
150,000	256.66	350.81	94.15	36.7%

Comparison of Rates		
Current Rates		Proposed
Block Usage	Rate	Rates
First 10,000 gallons	\$26.16	\$35.61
Next 10,000 gallons	2.00	2.73
Next 30,000 gallons	1.85	2.53
Over 50,000 gallons	1.55	2.12

Comparison of Rates - 2 Inch Meter				
Consumers Water District				
Gallon Usage	Current Rates	Proposed Rates	Increase	Percentage
20,000	\$46.08	\$62.91	\$16.83	36.5%
25,000	55.33	75.56	20.23	36.6%
30,000	64.58	88.21	23.63	36.6%
35,000	73.83	100.86	27.03	36.6%
40,000	83.08	113.51	30.43	36.6%
50,000	101.58	138.81	37.23	36.7%
75,000	140.33	191.81	51.48	36.7%
100,000	179.08	244.81	65.73	36.7%
150,000	256.58	350.81	94.23	36.7%

Comparison of Rates		
Block Usage	Current Rates	Proposed Rates
First 20,000 gallons	\$46.08	\$62.91
Next 30,000 gallons	\$1.85	2.53
Over 50,000 gallons	1.55	2.12

Consumers Water District

Billing Analysis

CURRENT RATES

BILLING ANALYSIS FOR: CONSUMERS WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 TO 12/31/2005

USAGE TABLE

METER SIZE: 5/8" x 3/4"

CURRENT RATES

CLASS:

USAGE	BILLS	GALLONS	20	80	100	300	500
FIRST	3,906	40,559	40,559				
NEXT	13,522	658,017	270,440	387,577			
NEXT	1,116	146,156	22,320	89,280	34,556		
NEXT	190	51,746	3,800	15,200	19,000	13,746	
OVER	17	14,935	340	1,360	1,700	5,100	6,435

TOTAL 18,751 911,413 337,459 493,417 55,256 18,846 6,435

REVENUE TABLE

REVENUE BY RATE INCREMENT

BILLS	GALLONS	RATE	REVENUE
20	33,745,900	\$8.80	\$165,008.80
80	49,341,700	2.16	106,578.07
100	5,525,600	2.00	11,051.20
300	1,884,600	1.85	3,486.51
500	643,500	1.55	997.43

TOTAL 18,751 91,141,300 \$287,122.01

BILLING ANALYSIS FOR: CONSUMERS WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 TO 12/31/2005
 USAGE TABLE
 METER SIZE: 1"
 CURRENT RATES

	CLASS: USAGE	BILLS	GALLONS	FIRST 100	NEXT 100	NEXT 300	OVER 500
FIRST	100	93	2,892	2,892			
NEXT	100	26	3,688	2,600	1,088		
NEXT	300	13	4,037	1,300	1,300	1,437	
OVER	500	14	11,633	1,400	1,400	4,200	4,633

TOTAL		146	22,250	8,192	3,788	5,637	4,633
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	100	146	819,200	\$26.16	\$3,819.36
NEXT	100		378,800	2.00	757.60
NEXT	300		563,700	1.85	1,042.85
OVER	500		463,300	1.55	718.12

TOTAL		146	2,225,000		\$6,337.92
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BILLING ANALYSIS FOR: CONSUMERS WATER DISTRICT

TEST PERIOD FROM 1/1/2005 TO 12/31/2005

USAGE TABLE

METER SIZE: 2"

CURRENT RATES

	CLASS			FIRST	NEXT	OVER
	USAGE	BILLS	GALLONS	200	300	500
FIRST	200	23	1,017	1,017		
NEXT	300	13	4,728	2,600	2,128	
OVER	500	2	2,345	400	600	1,345

TOTAL		38	8,090	4,017	2,728	1,345
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	200	38	401,700	\$46.08	\$1,751.04
NEXT	300		272,800	1.85	504.68
OVER	500		134,500	1.55	208.48

TOTAL		38	809,000		\$2,464.20
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NORMALIZED BILLING ANALYSIS SUMMARY FOR: CONSUMERS WD
TEST PERIOD FROM 01/01/2005 to 12/31/2005
CURRENT RATES

	Bills	Gallons	Revenue
5/8 x 3/4 Inch	18,751	91,141,300	\$287,122
1 Inch	146	2,225,000	\$6,338
2 Inch	38	809,000	\$2,464
TOTAL	18,935	94,175,300	\$295,924

Consumers Water District

Billing Analysis

PROPOSED RATES

BILLING ANALYSIS FOR: CONSUMERS WATER DISTRICT
 TEST PERIOD FROM 1/1/2005 TO 12/31/2005

USAGE TABLE

METER SIZE: 5/8" x 3/4"

PROPOSED RATES

CLASS:

USAGE	BILLS	GALLONS	20	80	100	300	500
FIRST	3,906	40,559	40,559				
NEXT	13,522	658,017	270,440	387,577			
NEXT	1,116	146,156	22,320	89,280	34,556		
NEXT	190	51,746	3,800	15,200	19,000	13,746	
OVER	17	14,935	340	1,360	1,700	5,100	6,435

TOTAL 18,751 911,413 337,459 493,417 55,256 18,846 6,435

REVENUE TABLE

REVENUE BY RATE INCREMENT

BILLS	GALLONS	RATE	REVENUE
20	33,745,900	\$12.01	\$225,199.51
80	49,341,700	2.95	145,558.02
100	5,525,600	2.73	15,084.89
300	1,884,600	2.53	4,768.04
500	643,500	2.12	1,364.22

TOTAL 18,751 91,141,300 \$391,974.67

BILLING ANALYSIS FOR: CONSUMERS WATER DISTRICT

TEST PERIOD FROM 1/1/2005 TO 12/31/2005

USAGE TABLE

METER SIZE: 1"

PROPOSED RATES

	CLASS:			FIRST	NEXT	NEXT	OVER
	USAGE	BILLS	GALLONS	100	100	300	500
FIRST	100	93	2,892	2,892			
NEXT	100	26	3,688	2,600	1,088		
NEXT	300	13	4,037	1,300	1,300	1,437	
OVER	500	14	11,633	1,400	1,400	4,200	4,633

TOTAL		146	22,250	8,192	3,788	5,637	4,633
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	100	146	819,200	\$35.61	\$5,199.06
NEXT	100		378,800	2.73	1,034.12
NEXT	300		563,700	2.53	1,426.16
OVER	500		463,300	2.12	982.20

TOTAL		146	2,225,000		\$8,641.54
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BILLING ANALYSIS FOR: CONSUMERS WATER DISTRICT

TEST PERIOD FROM 1/1/2005 TO 12/31/2005

USAGE TABLE

METER SIZE: 2"

PROPOSED RATES

	CLASS			FIRST	NEXT
	USAGE	BILLS	GALLONS	200	300
FIRST	200	23	1,017	1,017	
NEXT	300	13	4,728	2,600	2,128
OVER	500	2	2,345	400	600

TOTAL		38	8,090	4,017	2,728
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REVENUE TABLE

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	RATE	REVENUE
FIRST	200	38	401,700	\$62.91	\$2,390.58
NEXT	300		272,800	2.53	690.18
OVER	500		134,500	2.12	285.14

TOTAL		38	809,000		\$3,365.90
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NORMALIZED BILLING ANALYSIS SUMMARY FOR: CONSUMERS WD
TEST PERIOD FROM 01/01/2005 to 12/31/2005
PROPOSED RATES

	Bills	Gallons	Revenue
5/8 x 3/4 Inch	18,751	91,141,300	\$391,975
1 Inch	146	2,225,000	\$8,642
2 Inch	38	809,000	\$3,366
TOTAL	18,935	94,175,300	\$403,982

Consumers Water District

Proposed Tariff

Consumers Water District

Comparison of Current & Proposed Tariff

FOR Graves County, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

1st Revised SHEET NO. 3

Consumers Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

Original SHEET NO. 3

RATES AND CHARGES

Monthly Water Rates

5/8 x 3/4 Inch Meter

First 2,000 Gallons	\$8.80 \$12.01 Minimum Bill
Next 8,000 Gallons	2.16 2.95 per 1,000 Gallons
Next 10,000 Gallons	2.00 2.73 per 1,000 Gallons
Next 30,000 Gallons	4.85 2.53 per 1,000 Gallons
Over 50,000 Gallons	4.55 2.12 per 1,000 Gallons

1 Inch Meter

First 10,000 Gallons	\$26.16 \$35.61 Minimum Bill
Next 10,000 Gallons	2.00 2.73 per 1,000 Gallons
Next 30,000 Gallons	4.85 2.53 per 1,000 Gallons
Over 50,000 Gallons	4.55 2.12 per 1,000 Gallons

2 Inch Meter

First 20,000 Gallons	\$46.08 \$62.91 Minimum Bill
Next 30,000 Gallons	4.85 2.53 per 1,000 Gallons
Over 50,000 Gallons	4.55 2.12 per 1,000 Gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

Consumers Water District

Notice

NOTICE

Consumers Water District has filed an application with the Public Service Commission to increase its rates for water and sewer service. The proposed effective date of the change is _____, 2007.

<u>Monthly Water Rates</u>			
	<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
<u>5/8 x 3/4 Inch Meter</u>			
First 2,000 Gallons	\$8.80 Minimum Bill	\$12.01 Minimum Bill	36.48%
Next 8,000 Gallons	2.16 Per 1,000 Gallons	2.95 Per 1,000 Gallons	36.57%
Next 10,000 Gallons	2.00 Per 1,000 Gallons	2.73 Per 1,000 Gallons	36.50%
Next 30,000 Gallons	1.85 Per 1,000 Gallons	2.53 Per 1,000 Gallons	36.78%
Over 50,000 Gallons	1.55 Per 1,000 Gallons	2.12 Per 1,000 Gallons	36.77%
 <u>1 Inch Meter</u>			
First 10,000 Gallons	\$26.16 Minimum Bill	\$35.61 Minimum Bill	36.12%
Next 10,000 Gallons	2.00 Per 1,000 Gallons	2.73 Per 1,000 Gallons	36.50%
Next 30,000 Gallons	1.85 Per 1,000 Gallons	2.53 Per 1,000 Gallons	36.78%
Over 50,000 Gallons	1.55 Per 1,000 Gallons	2.12 Per 1,000 Gallons	36.77%
 <u>2 Inch Meter</u>			
First 20,000 Gallons	\$46.08 Minimum Bill	\$62.91 Minimum Bill	36.52%
Next 30,000 Gallons	1.85 Per 1,000 Gallons	2.53 Per 1,000 Gallons	36.78%
Over 50,000 Gallons	1.55 Per 1,000 Gallons	2.12 Per 1,000 Gallons	36.77%

The rates contained in this notice are the rates proposed by the Consumers Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office. Upon request from an intervenor, the Company shall furnish to the intervenor a copy of the application and supporting documents.

Consumers Water District

NOTICE

Consumers Water District has filed an application with the Public Service Commission to increase its rates for water and sewer service.

<u>Monthly Water Rates</u>			
	<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
<u>5/8 x 3/4 Inch Meter</u>			
First 2,000 Gallons	\$8.80 Minimum Bill	\$12.01 Minimum Bill	36.48%
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Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office. Upon request from an intervenor, the Company shall furnish to the intervenor a copy of the application and supporting documents.

Consumers Water District

THE ABOVE PUBLIC NOTICE WILL BE PUBLISHED IN THE MAYFIELD MESSENGER
ON FEBRUARY 5, 12, & 19, 2007.

Consumers Water District

Proposed Rate Application

Indebtedness Attachment

CONSUMER WATER DISTRICT
4182 ST RT 121 S
MAYFIELD, KY 42088

FIRST KENTUCKY BANK INC. (MAYFIELD)
223 SOUTH 8TH STREET P. O. BOX 387
MAYFIELD, KY 42088

2004 2310 20951
Loan Number
Date 04-30-2004
Maturity Date 05-10-2008
Loan Amount \$ 77,040.01
Renewal Of

ORIGINAL

BORROWER'S NAME AND ADDRESS
*I includes each borrower above, jointly and severally.

LENDER'S NAME AND ADDRESS
*You means the lender, its successors and assigns.

For value received, I promise to pay to you, or your order, at your address listed above the PRINCIPAL sum of SEVENTY SEVEN THOUSAND FORTY AND 03/100 Dollars \$ 77,040.01

Single Advance: I will receive all of this principal sum on 04-30-2004. No additional advances are contemplated under this note.
 Multiple Advances: The principal sum shown above is the maximum amount of principal I can borrow under this note. On _____ I will receive the amount of \$ _____ and future principal advances are contemplated.
Conditions: The conditions for future advances are _____

Open End Credit: You and I agree that I may borrow up to the maximum principal sum more than one time. This feature is subject to all other conditions and expires on _____
 Closed End Credit: You and I agree that I may borrow (subject to all other conditions) up to the maximum principal sum only one time.

INTEREST: I agree to pay interest on the outstanding principal balance from 04-30-2004 at the rate of 4.300% per year until 05-10-2008

Variable Rate: This rate may then change as stated below.
 Index Rate: The future rate will be _____ the following index rate: _____

No Index: The future rate will not be subject to any internal or external index. It will be entirely in your control.
 Frequency and Timing: The rate on this note may change as often as _____
A change in the interest rate will take effect _____
 Limitations: During the term of this loan, the applicable annual interest rate will not be more than _____ % or less than _____ % . The rate may not change more than _____ % each _____

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:
 The amount of each scheduled payment will change. The amount of the final payment will change.

ACCUAL METHOD: Interest will be calculated on a ACTUAL/366 basis.

POST MATURITY RATE: I agree to pay interest on the unpaid balance of this note owing after maturity, and until paid in full, as stated below:
 on the same fixed or variable rate basis in effect before maturity (as indicated above).
 at a rate equal to _____

LATE CHARGE: If a payment is made more than 10 days after it is due, I agree to pay a late charge of \$25.00

ADDITIONAL CHARGES: In addition to interest, I agree to pay the following charges which are are not included in the principal amount above: _____

PAYMENTS: I agree to pay this note as follows:
80 MONTHLY PAYMENTS OF \$1,431.13 BEGINNING 08-10-2004.

PURPOSE: The purpose of this loan is REFINANCE EXISTING LOANS FROM U.S. BANK
ADDITIONAL TERMS:

SECURITY

SECURITY INTEREST: I give you a security interest in all of the Property described below that I own or have sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products of the Property. "Property" includes all parts, accessories, repairs, replacements, improvements, and accessions to the Property; any original evidence of title or ownership; and all obligations that support the payment or performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property; any rights and claims arising from the Property; and any collections and distributions on account of the Property.

- Accounts and Other Rights to Payment: All rights to payment, whether or not earned by performance, including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned. This includes any rights and interests (including all liens) which I have by law or agreement against any account debtor or obligor.
Inventory: All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in my business.
Equipment: All equipment including, but not limited to, machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, parts, and tools. The Property includes any equipment described in a list or schedule I give to you, but such a list is not necessary to create a valid security interest in all of my equipment.
Instruments and Chattel Paper: All instruments, including negotiable instruments and promissory notes and any other writings or records that evidence the right to payment of a monetary obligation, and tangible and electronic chattel paper.
General Intangibles: All general intangibles including, but not limited to, tax refunds, patents and applications for patents, copyrights, trademarks, trade secrets, goodwill, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use my name.
Documents: All documents of title including, but not limited to, bills of lading, dock warrants and receipts, and warehouse receipts.
Farm Products and Supplies: All farm products including, but not limited to, all poultry and livestock and their young, along with their produce, products, and replacements; all crops, annual or perennial, and all products of the crops; and all feed, seed, fertilizer, medicines, and other supplies used or produced in my farming operations.
Government Payments and Programs: All payments, accounts, general intangibles, and benefits including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance and diversion payments, production flexibility contracts, and conservation reserve payments under any preexisting, current, or future federal or state government program.
Investment Property: All investment property including, but not limited to, certificated securities, uncertificated securities, securities entitlements, securities accounts, commodity contracts, commodity accounts, and financial assets.
Deposit Accounts: All deposit accounts including, but not limited to, demand, time, savings, passbook, and similar accounts.
Specific Property Description: The Property includes, but is not limited by, the following: ALL OF CONSUMER WATER DISTRICT, OF MAYFIELD, KY

If applicable, enter real estate description and record owner information;

The Property will be used for a [] personal [X] business [] agricultural [] purpose. Borrower/Owner State of organization/registration (if applicable)

ADDITIONAL TERMS OF THE SECURITY AGREEMENT

GENERALLY - This agreement secures this note and any other debt I have with you, now or later. However, it will not secure other debts if you fail with respect to such other debts, to make any required disclosure about this security agreement or if you fail to give any required notice of the right of rescission. If property described in this agreement is located in another state, this agreement may also, in some circumstances, be governed by the law of the state in which the Property is located.

NAME AND LOCATION - My name indicated on page 1 is my exact legal name. If I am an individual, my address is my principal residence. If I am not an individual, my address is the location of my chief executive offices or sole place of business. If I am an entity organized and registered under state law, my address is located in the state in which I am registered, unless otherwise indicated on page 2. I will provide verification of registration and location upon your request. I will provide you with at least 30 days notice prior to any change in my name, address, or state of organization or registration.

OWNERSHIP AND DUTIES TOWARD PROPERTY - I represent that I own all of the Property, or to the extent this is a purchase money security interest I will acquire ownership of the Property with the proceeds of the loan. I will defend it against any other claim. Your claim to the Property is ahead of the claims of any other creditor. I agree to do whatever you require to protect your security interest and to keep your claim in the Property ahead of the claims of other creditors. I will not do anything to harm your position. I will not use the Property for a purpose that will violate any laws or subject the Property to forfeiture or seizure. I will keep books, records and accounts about the Property and my business in general. I will let you examine these records at any reasonable time. I will prepare any report or accounting you request, which deals with the Property. I will keep the Property in my possession and will keep it in good repair and use it only for the purpose(s) described on page 1 of this agreement. I will not change this specified use without your express written permission. I represent that I am the original owner of the Property and, if I am not, that I have provided you with a list of prior owners of the Property. I will keep the Property at my address listed on page 1 of this agreement, unless we agree I may keep it at another location. If the Property is to be used in another state, I will give you a list of those states. I will not try to sell the Property unless it is inventory or I receive your written permission to do so. If I sell the Property I will have the payment made payable to the order of you and me. You may demand immediate payment of the debt(s) if the debtor is not a natural person and without your prior written consent: (1) a beneficial interest in the debtor is sold or transferred, or (2) there is a change in either the identity or number of members of a partnership, or (3) there is a change in ownership of more than 25 percent of the voting stock of a corporation. I will pay all taxes and charges on the Property as they become due. You have the right of reasonable access in order to inspect the Property. I will immediately inform you of any loss or damage to the Property. If I fail to perform any of my duties under this security agreement, or any mortgage, deed of trust, lien or other security interest, you may without notice to me perform the duties or cause them to be performed. Your right to perform for me shall not create an obligation to perform and

your failure to perform will not preclude you from exercising any of your other rights under the law or this security agreement.

PURCHASE MONEY SECURITY INTEREST - For the sole purpose of determining the extent of a purchase money security interest arising under this security agreement: (a) payments on any nonpurchase money loan also secured by this agreement will not be deemed to apply to the Purchase Money Loan, and (b) payments on the Purchase Money Loan will be deemed to apply first to the nonpurchase money portion of the loan, if any, and then to the purchase money obligations in the order which the items of collateral were acquired or if acquired at the same time, in the order selected by you. No security interest will be terminated by application of this formula. "Purchase Money Loan" means any loan the proceeds of which, in whole or in part, are used to acquire any collateral securing the loan and all extensions, renewals, consolidations and refinancing of such loan.

PAYMENTS BY LENDER - You are authorized to pay, on my behalf, charges I am or may become obligated to pay to preserve or protect the secured property (such as property insurance premiums). You may treat those payments as advances and add them to the unpaid principal under the note secured by this agreement or you may demand immediate payment of the amount advanced.

INSURANCE - I agree to buy insurance on the Property against the risks and for the amounts you require and to furnish you continuing proof of coverage. I will have the insurance company name you as loss payee on any such policy. You may require added security if you agree that insurance proceeds may be used to repair or replace the Property. I will buy insurance from a firm licensed to do business in the state where you are located. The firm will be reasonably acceptable to you. The insurance will last until the Property is released from this agreement. If I fail to buy or maintain the insurance (or fail to name you as loss payee) you may purchase it yourself.

WARRANTIES AND REPRESENTATIONS - If this agreement includes accounts, I will not settle any account for less than its full value without your written permission. I will collect all accounts until you tell me otherwise. I will keep the proceeds from all the accounts and any goods which are returned to me or which I take back in trust for you. I will not mix them with any other property of mine. I will deliver them to you at your request. If you ask me to pay you the full price on any returned items or items retaken by myself, I will do so. You may exercise my rights with respect to obligations of any account debtors, or other persons obligated on the Property, to pay or perform, and you may enforce any security interest that secures such obligations.

Any person who signs within this box does so to give you a security interest in the Property described on this page. This person does not promise to pay the note. "I" as used in this security agreement will include the borrower and any person who signs within this box. Date Signed

If this agreement covers inventory, I will not dispose of it except in my ordinary course of business at the fair market value for the Property, or at a minimum price established between you and me.

If this agreement covers farm products I will provide you, at your request, a written list of the buyers, commission merchants or selling agents to or through whom I may sell my farm products. In addition to those parties named on this written list, I authorize you to notify at your sole discretion any additional parties regarding your security interest in my farm products. I remain subject to all applicable penalties for selling my farm products in violation of my agreement with you and the Food Security Act. In this paragraph the terms farm products, buyers, commission merchants and selling agents have the meanings given to them in the Federal Food Security Act of 1985.

If this agreement covers chattel paper or instruments, either as original collateral or proceeds of the Property, I will note your interest on the face of the chattel paper or instruments.

REMEDIES - I will be in default on this security agreement if I am in default on any note this agreement secures or if I fail to keep any promise contained in the terms of this agreement. If I default, you have all of the rights and remedies provided in the note and under the Uniform Commercial Code. You may require me to make the secured property available to you at a place which is reasonably convenient. You may take possession of the secured property and sell it as provided by law. The proceeds will be applied first to your expenses and then to the debt. I agree that 10 days written notice sent to my last known address by first class mail will be reasonable notice under the Uniform Commercial Code. My current address is on page 1.

PERFECTION OF SECURITY INTEREST - I authorize you to file a financing statement covering the Property. I will comply with, facilitate, and otherwise assist you in connection with obtaining possession of or control over the Property for purposes of perfecting your security interest under the Uniform Commercial Code.

ADDITIONAL TERMS OF THE NOTE

DEFINITIONS - As used on pages 1 and 2, "I" means the terms that apply to this loan. "I," "me" or "my" means each Borrower who signs this note and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this note (together referred to as "us"). "You" or "your" means the Lender and its successors and assigns.

APPLICABLE LAW - The law of the state in which you are located will govern this agreement. Any term of this agreement which is contrary to applicable law will not be effective, unless the law permits you and me to agree to such a variation. If any provision of this agreement cannot be enforced according to its terms, this fact will not affect the enforceability of the remainder of this agreement. No modification of this agreement may be made without your express written consent. Time is of the essence in this agreement.

PAYMENTS - Each payment I make on this note will first reduce the amount I owe you for charges which are neither interest nor principal. The remainder of each payment will then reduce accrued unpaid interest, and then unpaid principal. If you and I agree to a different application of payments, we will describe our agreement on this note. I may prepay a part of, or the entire balance of this loan without penalty, unless we specify to the contrary on this note. Any partial prepayment will not excuse or reduce any later scheduled payment until this note is paid in full (unless, when I make the prepayment, you and I agree in writing to the contrary).

INTEREST - Interest accrues on the principal remaining unpaid from time to time, until paid in full. If I receive the principal in more than one advance, each advance will start to earn interest only when I receive the advance. The interest rate in effect on this note at any given time will apply to the entire principal sum outstanding at that time. Notwithstanding anything to the contrary, I do not agree to pay and you do not intend to charge any rate of interest that is higher than the maximum rate of interest you could charge under applicable law for the extension of credit that is agreed to in this note (either before or after maturity). If any notice of interest accrual is sent and is in error, we mutually agree to correct it, and if you actually collect more interest than allowed by law and this agreement, you agree to refund it to me.

INDEX RATE - The index will serve only as a device for setting the interest rate on this note. You do not guarantee by selecting this index, or the margin, that the interest rate on this note will be the same rate you charge on any other loans or class of loans you make to me or other borrowers.

POST MATURITY RATE - For purposes of deciding when the "Post Maturity Rate" (shown on page 1) applies, the term "maturity" means the date of the last scheduled payment indicated on page 1 of this note or the date you accelerate payment on the note, whichever is earlier.

SINGLE ADVANCE LOANS - If this is a single advance loan, you and I expect that you will make only one advance of principal. However, you may add other amounts to the principal if you make any payments described in the "PAYMENTS BY LENDER" paragraph on page 2.

MULTIPLE ADVANCE LOANS - If this is a multiple advance loan, you and I expect that you will make more than one advance of principal. If this is closed end credit, repaying a part of the principal will not entitle me to additional credit.

SET-OFF - I agree that you may set off any amount due and payable under this note against any right I have to receive money from you.

"Right to receive money from you" means:

- (1) any deposit account balance I have with you;
- (2) any money owed to me on an item presented to you or in your possession for collection or exchange; and
- (3) any repurchase agreement or other nondeposit obligation.

"Any amount due and payable under this note" means the total amount of which you are entitled to demand payment under the terms of this note at the time you set off. This total includes any balance the due date for which you properly accelerate under this note.

If my right to receive money from you is also owned by someone who has not agreed to pay this note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request of endorsement. Your right of set-off does not apply to an account or other obligation where my rights are only as a representative. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

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

DEFAULT - I will be in default if any one or more of the following occur: (1) I fail to make a payment on time or in the amount due; (2) I fail to keep the Property insured, if required; (3) I fail to pay, or keep any promise, on any debt or agreement I have with you; (4) any other creditor of mine attempts to collect any debt I owe him through court proceedings; (5) I die, am declared incompetent, make an assignment for the benefit of creditors, or become insolvent (either because my liabilities exceed my assets or I am unable to pay my debts as they become due); (6) I make any written statement or provide any financial information that is untrue or inaccurate at the time it was provided; (7) I do or fail to do something which causes you to believe you will have difficulty collecting the amount I owe you; (8) any collateral securing this note is used in a manner or for a purpose which threatens confiscation by a legal authority; (9) I change my name or assume an additional name without first notifying you before making such a change; (10) I fail to plant, cultivate and harvest crops in due season; (11) any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1940, Subpart G, Exhibit M.

REMEDIES - If I am in default on this note you have, but are not limited to, the following remedies:

- (1) You may demand immediate payment of all I owe you under this note (principal, accrued unpaid interest and other accrued unpaid charges).
- (2) You may set off this debt against any right I have to the payment of money from you, subject to the terms of the "SET-OFF" paragraph herein.
- (3) You may demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy.
- (4) You may refuse to make advances to me or allow purchases on credit by me.
- (5) You may use any remedy you have under state or federal law.
- (6) You may make use of any remedy given to you in any agreement securing this note.

By selecting any one or more of these remedies you do not give up your right to use later any other remedy. By waiving your right to declare an event to be a default, you do not waive your right to consider later the event a default if it continues or happens again.

COLLECTION COSTS AND ATTORNEY'S FEES - I agree to pay all costs of collection, replevin or any other or similar type of cost if I am in default. In addition, if you hire an attorney to collect this note, I also agree to pay any fee you incur with such attorney plus court costs (except where prohibited by law). To the extent permitted by the United States Bankruptcy Code, I also agree to pay the reasonable attorney's fees and costs you incur to collect this debt as awarded by any court exercising jurisdiction under the Bankruptcy Code.

WAIVER - I give up my rights to require you to do certain things. I will not require you to:

- (1) demand payment of amounts due (presentment);
- (2) obtain official certification of nonpayment (protest); or
- (3) give notice that amounts due have not been paid (notice of dishonor).

I waive any defenses I have based on suretyship or impairment of collateral.

OBLIGATIONS INDEPENDENT - I understand that I must pay this note even if someone else has also agreed to pay it (by, for example, signing this form or a separate guarantee or endorsement). You may sue me alone, or anyone else who is obligated on this note, or any number of us together, to collect this note. You may without notice release any party to this agreement without releasing any other party. If you give up any of your rights, with or without notice, it will not affect my duty to pay this note. Any extension of new credit to any of us, or renewal of this note by all or less than all of us will not release me from my duty to pay it. (Of course, you are entitled to only one payment in full.) I agree that you may at your option extend this note or the debt represented by this note, or any portion of the note or debt, from time to time without limit or notice and for any term without affecting my liability for payment of the note. I will not assign my obligation under this agreement without your prior written approval.

CREDIT INFORMATION - I agree and authorize you to obtain credit information about me from time to time (for example, by requesting a credit report) and to report to others your credit experience with me (such as a credit reporting agency). I agree to provide you, upon request, any financial statements or information you may deem necessary. I warrant that the financial statements and information I provide to you are or will be accurate, correct and complete.

SIGNATURES: I AGREE TO THE TERMS OF THIS NOTE (INCLUDING THOSE ON PAGES 1, 2 AND 3). I have received a copy on today's date.

CONSUMER WATER DISTRICT

HENRY HODGES, CHAIRMAN

JOHNNY DOWDY, BOARD MEMBER

WILLIAM DICK, TREASURER

SIGNATURE FOR LENDER:

DARVIN TOWERY, EXECUTIVE VICE PRESIDENT

CONSUMER WATER DISTRICT 4182 ST RT 121 S MAYFIELD, KY 42088 BORROWER'S NAME AND ADDRESS *I* includes each borrower above, jointly and severally.	FIRST KENTUCKY BANK INC. (MAYFIELD) 223 SOUTH 6TH STREET P. O. BOX 387 MAYFIELD, KY 42088 LENDER'S NAME AND ADDRESS *You* means the lender, its successors and assigns.	Loan Number _____ Date <u>04-30-2004</u> Mat. Date <u>05-10-2008</u> Loan Amount \$ <u>77,840.01</u> Renewal Of _____
--	---	---

DISBURSEMENT AUTHORIZATION

I hereby authorize and request the following disbursement from the loan referenced above:

a. Amount given to me directly	\$ _____	o. _____	\$ _____
b. Amount paid on my account (# _____)	\$ <u>77,840.01</u>	p. _____	\$ _____
c. To Lender	\$ _____	q. _____	\$ _____
Amounts paid to others on my behalf:		r. _____	\$ _____
d. Insurance Companies	\$ _____	s. _____	\$ _____
e. Public Officials	\$ _____	t. _____	\$ _____
f. _____	\$ _____	u. _____	\$ _____
g. _____	\$ _____	v. _____	\$ _____
h. _____	\$ _____	w. _____	\$ _____
i. _____	\$ _____	x. _____	\$ _____
j. _____	\$ _____	y. _____	\$ _____
k. _____	\$ _____	z. _____	\$ _____
l. _____	\$ _____	aa. _____	\$ _____
m. _____	\$ _____	bb. _____	\$ _____
n. _____	\$ _____	cc. _____	\$ _____

Comments:

CONSUMER WATER DISTRICT
 X Henry Hodges
 HENRY HODGES, CHAIRMAN
 X Johnny Dowdy
 JOHNNY DOWDY, BOARD MEMBER
 X _____

X William Dick
 WILLIAM DICK, TREASURER
 X _____
 X _____

Loan Officer: DARVIN TOWER

CONSUMER WATER DISTRICT 4182 BT RT 121 S MAYFIELD, KY 42086 BORROWER'S NAME AND ADDRESS ("I" includes each borrower above, jointly and severally.	FIRST KENTUCKY BANK INC. (MAYFIELD) 223 SOUTH 8TH STREET P. O. BOX 387 MAYFIELD, KY 42086 <h1 style="text-align: center;">ORIGINAL</h1> LENDER'S NAME AND ADDRESS "You" means the lender, its successors and assigns.	20002316 20950 Loan Number _____ Date <u>04-30-2004</u> Maturity Date <u>06-10-2008</u> Loan Amount \$ <u>66,899.17</u> Renewal Of _____
--	--	---

For value received, I promise to pay to you, or your order, at your address listed above the **PRINCIPAL** sum of SIXTY SIX THOUSAND NINE HUNDRED NINETY NINE AND 17/100 Dollars \$ 66,899.17

Single Advance: I will receive all of this principal sum on 04-30-2004. No additional advances are contemplated under this note.
 Multiple Advances: The principal sum shown above is the *maximum amount of principal* I can borrow under this note. On _____ I will receive the amount of \$ _____ and future principal advances are contemplated.
Conditions: The conditions for future advances are _____

Open End Credit: You and I agree that I may borrow up to the maximum principal sum more than one time. This feature is subject to all other conditions and expires on _____
 Closed End Credit: You and I agree that I may borrow (subject to all other conditions) up to the maximum principal sum only one time.

INTEREST: I agree to pay interest on the *outstanding principal balance* from 04-30-2004 at the rate of 4.300 % per year until 06-10-2008

Variable Rate: This rate may then change as stated below.
 Index Rate: The future rate will be _____ the following index rate: _____

No Index: The future rate will not be subject to any internal or external index. It will be entirely in your control.
 Frequency and Timing: The rate on this note may change as often as _____
 A change in the interest rate will take effect _____
 Limitations: During the term of this loan, the applicable annual interest rate will not be more than _____ % or less than _____ % each.

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:
 The amount of each scheduled payment will change. The amount of the final payment will change.

ACCUAL METHOD: Interest will be calculated on a ACTUAL/365 basis.

POST MATURITY RATE: I agree to pay interest on the unpaid balance of this note owing after maturity, and until paid in full, as stated below:
 on the same fixed or variable rate basis in effect before maturity (as indicated above).
 at a rate equal to _____

LATE CHARGE: If a payment is made more than 10 days after it is due, I agree to pay a late charge of \$25.00

ADDITIONAL CHARGES: In addition to interest, I agree to pay the following charges which are are not included in the principal amount above: _____

PAYMENTS: I agree to pay this note as follows:
80 MONTHLY PAYMENTS OF \$1,244.60 BEGINNING 06-10-2004.

PURPOSE: The purpose of this loan is REFINANCE EXISTING LOAN AT U.S. BANK
ADDITIONAL TERMS: _____

SECURITY

SECURITY INTEREST: I give you a security interest in all of the Property described below that I own or have sufficient rights in which to transfer an interest, now or in the future, wherever the Property is or will be located, and all proceeds and products of the Property. "Property" includes all parts, accessories, repairs, replacements, improvements, and accessions to the Property; any original evidence of title or ownership; and all obligations that support the payment or performance of the Property. "Proceeds" includes anything acquired upon the sale, lease, license, exchange, or other disposition of the Property; any rights and claims arising from the Property; and any collections and distributions on account of the Property.

- Accounts and Other Rights to Payment: All rights to payment, whether or not earned by performance, including, but not limited to, payment for property or services sold, leased, rented, licensed, or assigned. This includes any rights and interests (including all liens) which I have by law or agreement against any account debtor or obligor.
Inventory: All inventory held for ultimate sale or lease, or which has been or will be supplied under contracts of service, or which are raw materials, work in process, or materials used or consumed in my business.
Equipment: All equipment including, but not limited to, machinery, vehicles, furniture, fixtures, manufacturing equipment, farm machinery and equipment, shop equipment, office and record keeping equipment, parts, and tools. The Property includes any equipment described in a list or schedule I give to you, but such a list is not necessary to create a valid security interest in all of my equipment.
Instruments and Chattel Paper: All instruments, including negotiable instruments and promissory notes and any other writings or records that evidence the right to payment of a monetary obligation, and tangible and electronic chattel paper.
General Intangibles: All general intangibles including, but not limited to, tax refunds, patents and applications for patents, copyrights, trademarks, trade secrets, goodwill, trade names, customer lists, permits and franchises, payment intangibles, computer programs and all supporting information provided in connection with a transaction relating to computer programs, and the right to use my name.
Documents: All documents of title including, but not limited to, bills of lading, dock warrants and receipts, and warehouse receipts.
Farm Products and Supplies: All farm products including, but not limited to, all poultry and livestock and their young, along with their produce, products, and replacements; all crops, annual or perennial, and all products of the crops; and all feed, seed, fertilizer, medicines, and other supplies used or produced in my farming operations.
Government Payments and Programs: All payments, accounts, general intangibles, and benefits including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance and diversion payments, production flexibility contracts, and conservation reserve payments under any preexisting, current, or future federal or state government program.
Investment Property: All investment property including, but not limited to, certificated securities, uncertificated securities, securities entitlements, securities accounts, commodity contracts, commodity accounts, and financial assets.
Deposit Accounts: All deposit accounts including, but not limited to, demand, time, savings, passbook, and similar accounts.
[X] Specific Property Description: The Property includes, but is not limited by, the following:
ALL ASSETS OF CONSUMER WATER DISTRICT, MAYFIELD KY

If applicable, enter real estate description and record owner information:

The Property will be used for a [] personal [X] business [] agricultural [] purpose.
Borrower/Owner State of organization/registration (if applicable)

ADDITIONAL TERMS OF THE SECURITY AGREEMENT

GENERALLY - This agreement secures this note and any other debt I have with you, now or later. However, it will not secure other debts if you fall with respect to such other debts, to make any required disclosure about this security agreement or if you fail to give any required notice of the right of rescission. If property described in this agreement is located in another state, this agreement may also, in some circumstances, be governed by the law of the state in which the Property is located.

NAME AND LOCATION - My name indicated on page 1 is my exact legal name. If I am an individual, my address is my principal residence. If I am not an individual, my address is the location of my chief executive offices or sole place of business. If I am an entity organized and registered under state law, my address is located in the state in which I am registered, unless otherwise indicated on page 2. I will provide verification of registration and location upon your request. I will provide you with at least 30 days notice prior to any change in my name, address, or state of organization or registration.

OWNERSHIP AND DUTIES TOWARD PROPERTY - I represent that I own all of the Property, or to the extent this is a purchase money security interest I will acquire ownership of the Property with the proceeds of the loan. I will defend it against any other claim. Your claim to the Property is ahead of the claims of any other creditor. I agree to do whatever you require to protect your security interest and to keep your claim in the Property ahead of the claims of other creditors. I will not do anything to harm your position. I will not use the Property for a purpose that will violate any laws or subject the Property to forfeiture or seizure.

I will keep books, records and accounts about the Property and my business in general. I will let you examine these records at any reasonable time. I will prepare any report or accounting you request, which deals with the Property.

I will keep the Property in my possession and will keep it in good repair and use it only for the purpose(s) described on page 1 of this agreement. I will not change this specified use without your express written permission. I represent that I am the original owner of the Property and, if I am not, that I have provided you with a list of prior owners of the Property.

I will keep the Property at my address listed on page 1 of this agreement, unless we agree I may keep it at another location. If the Property is to be used in another state, I will give you a list of those states. I will not try to sell the Property unless it is inventory or I receive your written permission to do so. If I sell the Property I will have the payment made payable to the order of you and me.

You may demand immediate payment of the debt(s) if the debtor is not a natural person and without your prior written consent: (1) a beneficial interest in the debtor is sold or transferred, or (2) there is a change in either the identity or number of members of a partnership, or (3) there is a change in ownership of more than 25 percent of the voting stock of a corporation.

I will pay all taxes and charges on the Property as they become due. You have the right of reasonable access in order to inspect the Property. I will immediately inform you of any loss or damage to the Property.

If I fail to perform any of my duties under this security agreement, or any mortgage, deed of trust, lien or other security interest, you may without notice to me perform the duties or cause them to be performed. Your right to perform for me shall not create an obligation to perform and

your failure to perform will not preclude you from exercising any of your other rights under the law or this security agreement.

PURCHASE MONEY SECURITY INTEREST - For the sole purpose of determining the extent of a purchase money security interest arising under this security agreement: (a) payments on any nonpurchase money loan also secured by this agreement will not be deemed to apply to the Purchase Money Loan, and (b) payments on the Purchase Money Loan will be deemed to apply first to the nonpurchase money portion of the loan, if any, and then to the purchase money obligations in the order which the items of collateral were acquired or if acquired at the same time, in the order selected by you. No security interest will be terminated by application of this formula. "Purchase Money Loan" means any loan the proceeds of which, in whole or in part, are used to acquire any collateral securing the loan and all extensions, renewals, consolidations and refinancing of such loan.

PAYMENTS BY LENDER - You are authorized to pay, on my behalf, charges I am or may become obligated to pay to preserve or protect the secured property (such as property insurance premiums). You may treat those payments as advances and add them to the unpaid principal under the note secured by this agreement or you may demand immediate payment of the amount advanced.

INSURANCE - I agree to buy insurance on the Property against the risks and for the amounts you require and to furnish you continuing proof of coverage. I will have the insurance company name you as loss payee on any such policy. You may require added security if you agree that insurance proceeds may be used to repair or replace the Property. I will buy insurance from a firm licensed to do business in the state where you are located. The firm will be reasonably acceptable to you. The insurance will last until the Property is released from this agreement. If I fail to buy or maintain the insurance (or fail to name you as loss payee) you may purchase it yourself.

WARRANTIES AND REPRESENTATIONS - If this agreement includes accounts, I will not settle any account for less than its full value without your written permission. I will collect all accounts until you tell me otherwise. I will keep the proceeds from all the accounts and any goods which are returned to me or which I take back in trust for you. I will not mix them with any other property of mine. I will deliver them to you at your request. If you ask me to pay you the full price on any returned items or items retaken by myself, I will do so. You may exercise my rights with respect to obligations of any account debtors, or other persons obligated on the Property, to pay or perform, and you may enforce any security interest that secures such obligations.

Any person who signs within this box does so to give you a security interest in the Property described on this page. This person does not promise to pay the note. "I" as used in this security agreement will include the borrower and any person who signs within this box.
Date
Signed

If this agreement covers inventory, I will not dispose of it except in my ordinary course of business at the fair market value for the Property, or at a minimum price established between you and me.

If this agreement covers farm products I will provide you, at your request, a written list of the buyers, commission merchants or selling agents to or through whom I may sell my farm products. In addition to those parties named on this written list, I authorize you to notify at your sole discretion any additional parties regarding your security interest in my farm products. I remain subject to all applicable penalties for selling my farm products in violation of my agreement with you and the Food Security Act. In this paragraph the terms farm products, buyers, commission merchants and selling agents have the meanings given to them in the Federal Food Security Act of 1985.

If this agreement covers chattel paper or instruments, either as original collateral or proceeds of the Property, I will note your interest on the face of the chattel paper or instruments.

REMEDIES - I will be in default on this security agreement if I am in default on any note this agreement secures or if I fail to keep any promises contained in the terms of this agreement. If I default, you have all of the rights and remedies provided in the note and under the Uniform Commercial Code. You may require me to make the secured property available to you at a place which is reasonably convenient. You may take possession of the secured property and sell it as provided by law. The proceeds will be applied first to your expenses and then to the debt. I agree that 10 days written notice sent to my last known address by first class mail will be reasonable notice under the Uniform Commercial Code. My current address is on page 1.

PERFECTION OF SECURITY INTEREST - I authorize you to file a financing statement covering the Property. I will comply with, facilitate, and otherwise assist you in connection with obtaining possession of or control over the Property for purposes of perfecting your security interest under the Uniform Commercial Code.

ADDITIONAL TERMS OF THE NOTE

DEFINITIONS - As used on pages 1 and 2, "I" means the terms that apply to this loan. "I," "me" or "my" means each Borrower who signs this note and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this note (together referred to as "us"). "You" or "your" means the Lender and its successors and assigns.

APPLICABLE LAW - The law of the state in which you are located will govern this agreement. Any term of this agreement which is contrary to applicable law will not be effective, unless the law permits you and me to agree to such a variation. If any provision of this agreement cannot be enforced according to its terms, this fact will not affect the enforceability of the remainder of this agreement. No modification of this agreement may be made without your express written consent. Time is of the essence in this agreement.

PAYMENTS - Each payment I make on this note will first reduce the amount I owe you for charges which are neither interest nor principal. The remainder of each payment will then reduce accrued unpaid interest, and then unpaid principal. If you and I agree to a different application of payments, we will describe our agreement on this note. I may prepay a part of, or the entire balance of, this loan without penalty, unless we specify to the contrary on this note. Any partial prepayment will not excuse or reduce any later scheduled payment until this note is paid in full (unless, when I make the prepayment, you and I agree in writing to the contrary).

INTEREST - Interest accrues on the principal remaining unpaid from time to time, until paid in full, if I receive the principal in more than one advance, each advance will start to earn interest only when I receive the advance. The interest rate in effect on this note at any given time will apply to the entire principal sum outstanding at that time. Notwithstanding anything to the contrary, I do not agree to pay and you do not intend to charge any rate of interest that is higher than the maximum rate of interest you could charge under applicable law for the extension of credit that is agreed to in this note (either before or after maturity). If any notice of interest accrual is sent and is in error, we mutually agree to correct it, and if you actually collect more interest than allowed by law and this agreement, you agree to refund it to me.

INDEX RATE - The index will serve only as a device for setting the interest rate on this note. You do not guarantee by selecting this index, or the margin, that the interest rate on this note will be the same rate you charge on any other loans or class of loans you make to me or other borrowers.

POST MATURITY RATE - For purposes of deciding when the "Post Maturity Rate" (shown on page 1) applies, the term "maturity" means the date of the last scheduled payment indicated on page 1 of this note or the date you accelerate payment on the note, whichever is earlier.

SINGLE ADVANCE LOANS - If this is a single advance loan, you and I expect that you will make only one advance of principal. However, you may add other amounts to the principal if you make any payments described in the "PAYMENTS BY LENDER" paragraph on page 2.

MULTIPLE ADVANCE LOANS - If this is a multiple advance loan, you and I expect that you will make more than one advance of principal. If this is closed end credit, repaying a part of the principal will not entitle me to additional credit.

SET-OFF - I agree that you may set off any amount due and payable under this note against any right I have to receive money from you.

"Right to receive money from you" means:

- (1) any deposit account balance I have with you;
- (2) any money owed to me on an item presented to you or in your possession for collection or exchange; and
- (3) any repurchase agreement or other nondeposit obligation.

"Any amount due and payable under this note" means the total amount of which you are entitled to demand payment under the terms of this note at the time you set off. This total includes any balance the due date for which you properly accelerate under this note.

If my right to receive money from you is also owned by someone who has not agreed to pay this note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement. Your right of set-off does not apply to an account or other obligation where my rights are only as a representative. It also does not apply to any individual Retirement Account or other tax-deferred retirement account.

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

DEFAULT - I will be in default if any one or more of the following occur: (1) I fail to make a payment on time or in the amount due; (2) I fail to keep the Property insured, if required; (3) I fail to pay, or keep any promise, on any debt or agreement I have with you; (4) any other creditor of mine attempts to collect any debt I owe him through court proceedings; (5) I die, am declared incompetent, make an assignment for the benefit of creditors, or become insolvent (either because my liabilities exceed my assets or I am unable to pay my debts as they become due); (6) I make any written statement or provide any financial information that is untrue or inaccurate at the time it was provided; (7) I do or fail to do something which causes you to believe you will have difficulty collecting the amount I owe you; (8) any collateral securing this note is used in a manner or for a purpose which threatens confiscation by a legal authority; (9) I change my name or assume an additional name without first notifying you before making such a change; (10) I fail to plant, cultivate and harvest crops in due season; (11) any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 C.F.R. Part 1840, Subpart G, Exhibit M.

REMEDIES - If I am in default on this note you have, but are not limited to, the following remedies:

- (1) You may demand immediate payment of all I owe you under this note (principal, accrued unpaid interest and other accrued unpaid charges).
- (2) You may set off this debt against any right I have to the payment of money from you, subject to the terms of the "SET-OFF" paragraph herein.
- (3) You may demand security, additional security, or additional parties to be obligated to pay this note as a condition for not using any other remedy.
- (4) You may refuse to make advances to me or allow purchases on credit by me.
- (5) You may use any remedy you have under state or federal law.
- (6) You may make use of any remedy given to you in any agreement securing this note.

By selecting any one or more of these remedies you do not give up your right to use later any other remedy. By waiving your right to declare an event to be a default, you do not waive your right to consider later the event a default if it continues or happens again.

COLLECTION COSTS AND ATTORNEY'S FEES - I agree to pay all costs of collection, replevin or any other of similar type of cost if I am in default. In addition, if you hire an attorney to collect this note, I also agree to pay any fee you incur with such attorney plus court costs (except where prohibited by law). To the extent permitted by the United States Bankruptcy Code, I also agree to pay the reasonable attorney's fees and costs you incur to collect this debt as awarded by any court exercising jurisdiction under the Bankruptcy Code.

WAIVER - I give up my rights to require you to do certain things. I will not require you to:

- (1) demand payment of amounts due (presentment);
- (2) obtain official certification of nonpayment (protest); or
- (3) give notice that amounts due have not been paid (notice of dishonor).

I waive any defenses I have based on suretyship or impairment of collateral.

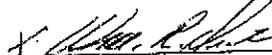
OBLIGATIONS INDEPENDENT - I understand that I must pay this note even if someone else has also agreed to pay it (by, for example, signing this form or a separate guarantee or endorsement). You may sue me alone, or anyone else who is obligated on this note, or any number of us together, to collect this note. You may without notice release any party to this agreement without releasing any other party. If you give up any of your rights, with or without notice, it will not affect my duty to pay this note. Any extension of new credit to any of us, or renewal of this note by all or less than all of us will not release me from my duty to pay it. (Of all or less than all of us will not release me from my duty to pay it.) I agree that you may extend this note or the debt represented by this note, or any portion of the note or debt, from time to time without limit or notice and for any term without affecting my liability for payment of the note. I will not assign my obligation under this agreement without your prior written approval.

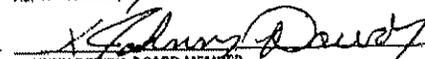
CREDIT INFORMATION - I agree and authorize you to obtain credit information about me from time to time (for example, by requesting a credit report) and to report to others your credit experience with me (such as a credit reporting agency). I agree to provide you, upon request, any financial statement or information you may deem necessary. I warrant that the financial statements and information I provide to you are or will be accurate, correct and complete.

SIGNATURES: I AGREE TO THE TERMS OF THIS NOTE (INCLUDING THOSE ON PAGES 1, 2 AND 3), I have received a copy on today's date.

CONSUMER WATER DISTRICT


HENRY HODGES, CHAIRMAN


WILLIAM DICK, TREASURER


JOHNNY DOWDY, BOARD MEMBER

SIGNATURE FOR LENDER:
DARVIN TOWERY, EXECUTIVE VICE PRESIDENT

CONSUMER WATER DISTRICT 4182 ST RT 121 S MAYFIELD, KY 42066 BORROWER'S NAME AND ADDRESS ("I" includes each borrower above, jointly and severally.	FIRST KENTUCKY BANK INC. (MAYFIELD) 223 SOUTH 8TH STREET P. O. BOX 387 MAYFIELD, KY 42088 LENDER'S NAME AND ADDRESS ("You" means the lender, its successors and assigns.	Loan Number _____ Date <u>04-30-2004</u> Mat. Date <u>05-10-2008</u> Loan Amount \$ <u>88,899.17</u> Renewal Of _____
---	--	---

DISBURSEMENT AUTHORIZATION

I hereby authorize and request the following disbursement from the loan referenced above:

a. Amount given to me directly	\$ _____	o. _____	\$ _____
b. Amount paid on my account (# _____)	\$ _____	p. _____	\$ _____
c. To Lender	\$ _____	q. _____	\$ _____
Amounts paid to others on my behalf:		r. _____	\$ _____
d. Insurance Companies	\$ _____	s. _____	\$ _____
e. Public Officials	\$ _____	t. _____	\$ _____
f. <u>US BANK</u>	\$ <u>88,899.17</u>	u. _____	\$ _____
g. _____	\$ _____	v. _____	\$ _____
h. _____	\$ _____	w. _____	\$ _____
i. _____	\$ _____	x. _____	\$ _____
j. _____	\$ _____	y. _____	\$ _____
k. _____	\$ _____	z. _____	\$ _____
l. _____	\$ _____	aa. _____	\$ _____
m. _____	\$ _____	bb. _____	\$ _____
n. _____	\$ _____	cc. _____	\$ _____

Comment:

CONSUMER WATER DISTRICT

X Henry Hodges
HENRY HODGES, CHAIRMAN

X Johnny Powdy
JOHNNY POWDY, BOARD MEMBER

X William Dick
WILLIAM DICK, TREASURER

Loan Office: DARVIN TOWERY



RECEIVED DEC 02 2002

400 Democrat Drive
Frankfort, KY
40601

502/695-7353
fax: 502/695-2897

November 27, 2002

INVESTMENT
BANKING

FINANCIAL
ADVISORY

PUBLIC
FINANCE

BROKERAGE
SERVICES

Ms. Debbie Ivy
Consumers Water District
P.O. Box 588
Mayfield, KY 42066

RE: Kentucky Area Development District Small Issuer Lease Program (KADD)

Dear Ms. Ivy:

Enclosed is a transcript of your KADD Lease which includes the fully executed legal documents as well as your payment schedule. Please note payments are due on April 20 and October 20 of each year throughout the term of your Lease.

Also enclosed is a Requisition Form which you must use in order to make payments or receive funds from your Construction Fund. All Requisitions will be processed twice monthly and will be paid on the 15th and the 30th (or the previous business day) after receipt.

If you need any additional information or if you have any questions regarding the payment process, please contact me at 1-800-255-0795.

Sincerely,

Molly J. Newland

Enclosures

36 E. 7th St
Suite 1530
Cincinnati, OH
45202

513/381-1919
fax: 513/381-0124

204 S. Sixth St
Suite 8
Murray, KY
42071

270/767-0830
fax: 270/767-0830

1900 Envoy Circle
Suite 1920
Louisville, KY
40299

502/491-3939
fax: 502/491-9979



EXHIBIT F

REQUEST FOR DISBURSEMENT

Re: Lease Agreement between Kentucky Area Development Districts Financing Trust, as lessor, and Consumers Water District, as lessee dated November __, 2002.

Requisition Certificate No. _____.

The Lessee hereby requests a disbursement from its Lessee Acquisition Account in the amount of \$ _____ and hereby certifies, as follows (except that with respect to a disbursement to pay an interest component of Lease Rental Payments during construction of a Project, only the document described in (a) below will be required):

(a) Attached is a statement of the amount and nature of each item of the Costs of the Project to be paid and the name and address of the payee, with the payee's statement and, if reimbursement to the Lessee of amounts previously paid is requested, evidence of such payment;

(b) each item for which payment or reimbursement is requested is or was necessary in connection with the Costs of the Project and none of such items formed the basis for any previous payment from the Lessee's Lessee Acquisition Account;

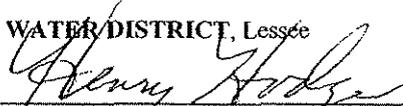
(c) each contractor, subcontractor and materialman has filed with the Lessee receipts or waivers of liens for all amounts previously certified for payment, or any amount previously certified for reimbursement to the Lessee, or there is on file with the Lessee a cancelled check endorsed by the contractor, subcontractor or materialman evidencing such payment;

(d) all of the warranties and representations of the Lessee contained in the Lease are true and correct as of the date of such disbursement, as though such warranties and representations were made on such date, no Event of Default has occurred under the Lease, the right of the Lessee to control the acquisition, construction and installation of the Project has not otherwise been terminated pursuant to the Lease, and that amounts on deposit in the Lessee's Lessee Acquisition Account will be sufficient to complete the Project in accordance with the approved plans and specifications;

Executed this _____ day of _____, _____.

CONSUMERS WATER DISTRICT, Lessee

By:


Authorized Lessee Representative

APPROVED:

APPROVED:

By:

[Architect][Construction Manager]

By:

Program Administrator

FINAL LEASE PAYMENT SCHEDULE



Lease Closing Date: November 18, 2002
 Lease Amount: \$125,000
 Loan Number: KADD2002_35J
 Borrower: CONSUMERS WATER DISTRICT
 First Installment: 04/20/03
 Final Installment: 04/20/13

Due Date	Due Date	Interest Rate	Principal Payment	Bond Rate	Program Fees	Total Lease Payment	FY Payment	Date Paid	Check Number
05/01/03	04/20/03				500.00	\$3,186.36			
11/01/03	10/20/03	2.750%	\$10,000.00	\$2,686.36	480.00	\$12,972.50	\$16,158.86		
05/01/04	04/20/04			\$2,492.50	480.00	\$2,355.00			
11/01/04	10/20/04	3.000%	\$10,000.00	\$2,355.00	460.00	\$12,815.00	\$15,650.00		
05/01/05	04/20/05			\$2,355.00	460.00	\$2,665.00			
11/01/05	10/20/05	3.500%	\$10,000.00	\$2,205.00	440.00	\$12,645.00	\$15,310.00		
05/01/06	04/20/06			\$2,030.00	440.00	\$2,470.00			
11/01/06	10/20/06	3.500%	\$10,000.00	\$2,030.00	420.00	\$12,450.00	\$14,920.00		
05/01/07	04/20/07			\$1,855.00	420.00	\$2,275.00			
11/01/07	10/20/07	3.800%	\$10,000.00	\$1,855.00	400.00	\$12,255.00	\$14,530.00		
05/01/08	04/20/08			\$1,665.00	400.00	\$2,065.00			
11/01/08	10/20/08	3.800%	\$15,000.00	\$1,665.00	370.00	\$17,035.00	\$19,100.00		
05/01/09	04/20/09			\$1,380.00	370.00	\$1,750.00			
11/01/09	10/20/09	4.600%	\$15,000.00	\$1,380.00	340.00	\$16,720.00	\$18,470.00		
05/01/10	04/20/10			\$1,035.00	340.00	\$1,375.00			
11/01/10	10/20/10	4.600%	\$15,000.00	\$1,035.00	310.00	\$16,345.00	\$17,720.00		
05/01/11	04/20/11			\$690.00	310.00	\$1,000.00			
11/01/11	10/20/11	4.600%	\$15,000.00	\$690.00	280.00	\$15,970.00	\$16,970.00		
05/01/12	04/20/12			\$345.00	280.00	\$625.00			
11/01/12	10/20/12	4.600%	\$15,000.00	\$345.00	250.00	\$15,595.00	\$16,220.00		
05/01/13	04/20/13								
Totals:						\$125,000.00	\$32,298.86	\$7,750.00	\$165,048.86

Your loan reference is:
 Loan Number: KADD2002_35J
 Lessee: CONSUMERS WATER DISTRICT
 Average interest rate: 4.28%
 TIC: 4.257% NIC: 4.279%

Remit payments to:
 Fifth Third Bank
 Corporate Trust Administration MD 10AT60
 38 Fountain Square
 Cincinnati, Ohio 45263
 Your contact is:
 Fred Overbeck
 Telephone: 513-744-6690
 Fax: 513-744-6785

 **REVENUE LEASE AGREEMENT**

LEASE AGREEMENT

KENTUCKY AREA DEVELOPMENT DISTRICTS FINANCING TRUST

LESSEE: Consumers Water District

LESSEE'S ADDRESS: Consumers Water District
4182 State Route 121 S
Mayfield, Kentucky 42066

DATE OF LEASE: November __, 2002

TERMINATION DATE: November 1, 2012

CERTIFICATE SERIES: 2002 Series J

This Lease Agreement constitutes a Security Agreement and all right, title and interest of the Lessor herein has been assigned to Fifth Third Bank, as trustee under a Master Trust Indenture dated as of August 1, 2001 between it and the Lessor.

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This Table of Contents is not a part of the Lease Agreement and is for convenience only. The captions herein are of no legal effect and do not vary the meaning or legal effect of any part of the Lease Agreement.

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LEASE AGREEMENT

THIS LEASE AGREEMENT, dated the date shown on the cover page hereof (together with any amendments hereto made in accordance herewith, this "Lease"), is entered into by and between the Kentucky Area Development Districts Financing Trust (the "Lessor"), as the lessor hereunder, a trust duly created and existing under the laws of the Commonwealth of Kentucky (the "State"), and the Lessee shown on the cover page hereof (the "Lessee"), as lessee hereunder, a body politic and corporate validly existing under the constitution, statutes and laws of the State.

WITNESSETH:

WHEREAS, the governing body of the Lessee (the "Governing Body") has the power, pursuant to Section 65.940 et seq. of the Kentucky Revised Statutes to enter into lease agreements with or without the option to purchase in order to provide for the use of property for public purposes;

WHEREAS, the Governing Body has previously determined, and hereby further determines, that the Lessee is in need of the Project, as defined herein;

WHEREAS, the Governing Body has determined and hereby determines that it is in the best interests of the Lessee that the Lessee and the Lessor enter into this Lease for the leasing by the Lessee from the Lessor of the Project and to become a Participant in the Program, as defined in the Indenture;

WHEREAS, the execution, delivery and performance of this Lease, have been authorized, approved and directed by the Governing Body by an ordinance or resolution finally passed and adopted by the Governing Body; and

WHEREAS, the Lessor desires to lease the Project to the Lessee, and the Lessee desires to lease the Project from the Lessor, pursuant to the terms and conditions and for the purposes set forth herein;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section I. Definitions. All words and phrases will have the meanings specified below unless the context clearly requires otherwise. Terms not defined herein will have the meanings assigned to them in the Indenture. References to Sections mean Sections of this Lease unless otherwise indicated.

"Additional Rentals" means the aggregate of (i) any expenses (including attorneys' fees and expenses) of the Lessor and the Trustee in defending an action or proceeding in connection with this Lease and/or any Collateral Documents relating to this Lease or in enforcing the provisions of this Lease and/or any Collateral Documents relating to this Lease; (ii) any taxes or any other expenses, including, but not limited to, licenses, permits, state and local sales and use or ownership taxes or property taxes and recording fees and/or other fees which the Lessor is expressly required to pay as a result of or in connection with this Lease and/or any Collateral Documents relating to this Lease; and (iii) the Lessee's Proportionate Share of any Administrative Expenses and Fiduciary Fees to the extent the same are not included in and paid as Base Rentals.

"Administrative Expenses" means the fees and expenses of the Lessor in administering the Program.

"Base Rentals" means the payments payable by the Lessee which constitute the principal component and interest component of Lease Rental Payments hereunder and other amounts set forth in Exhibit B.

"Certificates" means the Kentucky Area Development Districts Financing Trust Lease Acquisition Program Certificates of Participation related to this Lease.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a Section of the Code herein will be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto and applicable to the Certificates or the use of the proceeds thereof.

"Collateral Document" means any letter of credit, mortgage, escrow agreement, guaranty, security agreement, pledge agreement, title insurance policy or other document (other than this Lease) securing a Lease or granting a lien on or a security interest in a Project or executed in connection with this Lease.

"Costs" means, with respect to the Project, all or any part of the cost of construction, installation and acquisition of all land, buildings, structures, machinery and equipment; finance charges; extensions, enlargements, additions, replacements, renovations and improvements; engineering, financial and legal services; plans, specifications, studies, surveys, estimates of cost of revenue, administrative expenses, expenses necessary or incidental to determining the feasibility or practicability of constructing a Project; and such other expenses as The Lessor determines may be necessary or incidental to the construction, installation and acquisition of the Project, the financing of such construction, installation and acquisition, interest during construction, installation or acquisition and the placing of the Project in service.

"Fiduciary Fees" means the contractual fees and expenses (including reasonable attorney's fees) of (i) the Trustee and the Paying Agent, (ii) the Registrar, (iii) the Program Administrator in connection with enforcing any Lease, and (iv) any independent certified public accountants or independent financial consultants employed under the requirements of the Indenture.

"Indenture" means the Master Trust Indenture dated as of August 1, 2001 relating to the Certificates.

"Lease" means this Lease Agreement and any amendments or supplements hereto entered into in accordance with the provisions hereof, including the Exhibits attached hereto.

"Lessee Acquisition Account" means the account by that name established for the Lessee by the Trustee under the Indenture.

"Lease Rental Payments" means Base Rentals and Additional Rentals, which constitute the payments payable by the Lessee for and in consideration of the right to use and the option to purchase the Project.

"Lease Term" means the term of this Lease as determined pursuant to Sections 5 and 6 hereof.

"Lessee" means the Lessee identified on the cover page hereto.

"Lessor" means Kentucky Area Development Districts Financing Trust, acting as lessor under this Lease, or any successor thereto acting as lessor under this Lease.

"Optional Prepayment Price" means the amount determined by the Lessor and provided to the Trustee, which a Lessee may, in its discretion, pay under its Lease in order to prepay in full its Lease Rental Payments, which amount shall be equal to the unpaid principal component of Lease Rental Payments increased by the sum of (a) the amount of any due or past due Lease Rental Payments together with interest on such past due Lease Rental Payments to the date of such prepayment in full; (b) the unpaid accrued interest on the outstanding principal component of the Lease Rental Payments to the next date on which the related Certificates can be redeemed; (c) an amount of cash or noncallable Government Obligations which, together with the interest income thereon (as certified by the Program Administrator, Bond Counsel or other entity satisfactory to the Trustee), will be sufficient to pay Lease Rental Payments, which would have been due on the Lease, if the Lease had not been prepaid, between the date of the prepayment and the date the prepayment will be used to redeem Certificates; and (d) an amount equal to the premium, if any, payable on any Certificates to be redeemed on account of the payment of such Optional Prepayment Price.

"Program Administrator" means the Lessor or such other entity or unincorporated association as may be appointed in accordance with the Indenture to administer the Program and perform the duties and obligations of Program Administrator under the Indenture.

"Project" means property the Costs of which are financed or refinanced, or the Costs of which are reimbursed hereunder, as more particularly described in Exhibit A hereto.

"Proportionate Share" means, as of a date of calculation, a fraction, the numerator of which is the unpaid principal components of Base Rentals hereunder, and the denominator of which is the sum of the unpaid principal components of Base Rentals under all Leases.

"State" means the Commonwealth of Kentucky.

"Trustee" means Fifth Third Bank, an Ohio banking corporation, as trustee under the Indenture, and any successor trustee at the time serving as such under the Indenture.

Section 2. Representations, Covenants and Warranties of the Lessee. The Lessee represents, covenants and warrants, in addition to any further representations, covenants and warranties that may be set forth in Exhibit G, that (a) it is a body politic and corporate of the State; (b) it has full power and authority to enter into and to perform its obligations under, this Lease and all related documents; (c) it has duly authorized this Lease and all related documents; (d) this Lease and all related documents are valid, legal and binding obligations of the Lessee, enforceable against the Lessee in accordance with its terms; (e) the execution and delivery of this Lease and all related documents does not conflict with or result in a breach of the terms of any agreement or instrument by which the Lessee is bound, or conflicts with or results in a violation of any provision of law or regulation applicable to the Lessee; (f) there is no action, suit, proceeding or investigation before or by any court or public body wherein an unfavorable decision would materially and adversely affect the transactions contemplated by this Lease; (g) it will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the designated interest component of Lease Rental Payments; (h) the Project furthers the Lessee's governmental purposes, serves a public purpose and is in the best interests of the Lessee and at the time of execution and delivery of the Lease, the Lessee intends to annually appropriate the Lease Rental Payments due hereunder; and (i) during the Lease Term, the Project will at all times be used only for the purpose of performing one or more lawful governmental functions of the Lessee.

The Lessee acknowledges that the Certificates are being issued with respect to this Lease and that the interest thereunder and hereunder is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"). The Lessee covenants and agrees that it will not take or omit to take any actions that would adversely affect the tax-exempt status of the Certificates.

Section 3. Representations, Covenants and Warranties of Lessor. The Lessor represents, covenants and warrants that (a) it is a trust duly created and validly existing under the laws of the State, has all necessary power and authority to perform its obligations under, this Lease, and has duly authorized the execution and delivery of this Lease; (b) the execution and delivery of this Lease does not conflict with or result in a breach of the terms of any agreement or instrument by which the Lessor is bound, or conflicts with or results in a violation of any provision of law or regulation applicable to the Lessor; (c) there is no litigation or proceeding pending or threatened against the Lessor or any other person affecting the right of the Lessor to execute or deliver this Lease or to comply with its obligations under this Lease.

Section 4. Demising Clause; Title; Security Interest. The Lessor leases the Project to the Lessee, and the Lessee leases the Project from the Lessor, in accordance with the provisions of this Lease, to have and to hold for the Lease Term. The Lessee will take possession of the Project upon delivery thereof.

Legal title to the Project and all fixtures, appurtenances and other permanent accessories thereto and all interests therein will be held by the Lessee, subject to Lessor's rights under this Lease. Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Project and the Lease.

In order to secure all of its obligations hereunder, the Lessee hereby (i) grants to the Lessor a first and prior security interest in any and all right, title and interest of the Lessee in the portions of the Project that constitute personal property and in all additions, attachments, accessions, and substitutions thereto, and on any proceeds therefrom, (ii) agrees that Lessor may cause to be filed any financing statement it deems appropriate to evidence such security interest, and (iii) agrees to execute and deliver all financing statements, certificates of title and other instruments necessary or appropriate to evidence such security interest.

The Lessor's interest shall terminate upon (a) the Lessee's exercise of the purchase option granted in Section 25 hereof, or (b) the complete payment and performance by the Lessee of all of its obligations hereunder; provided, however, that title shall immediately and without any action by the Lessee vest in the Lessor and the

Lessee shall immediately surrender possession of the Project to the Lessor upon (i) any termination of this Lease without the Lessee exercising its option to purchase pursuant to this Lease or (ii) the occurrence of an Event of Default. In any of such cases, the Lessee agrees to execute such instruments and do such things as the Lessor reasonably requests and as may be required by law in order to effectuate transfer of any and all of the Lessee's right, title and interest in the Project, as is, to the Lessor. It is hereby acknowledged by the Lessor and the Lessee that the Lessee intends to purchase the Project on the terms set forth in this Lease.

Section 5. Duration of Lease Term. The Lease Term will commence and terminate on the dates shown on the cover page hereof unless earlier terminated as provided in Section 6. No provision of this Lease will be construed as creating a general obligation or other indebtedness of the Lessee within the meaning of any constitutional or statutory debt limitation.

Section 6. Termination of Lease Term. The Lease Term will terminate upon the earliest of (a) the termination of Lessor's interest in the Project pursuant to Section 25; or (b) an Event of Default and termination of this Lease as provided in Section 28.

Termination of the Lease Term will terminate the Lessee's rights to use, possess or occupy the Project (unless the termination of Lessor's interest has occurred).

Section 7. Enjoyment. The Lessor hereby covenants that the Lessee will during the Lease Term peaceably and quietly have and hold and enjoy the Project without suit, trouble or hindrance from the Lessor, except as expressly required or permitted by this Lease. The Lessor will, at the request of the Lessee and at the cost of the Lessee, join and cooperate fully in any legal action regarding the Project and the Lessee may, at its own expense, join in any legal action affecting the Project.

Section 8. Lease Rental Payments. The Lessee shall pay Base Rentals in the amounts and at the times set forth in Exhibit B, as said Exhibit B is in effect on the first day of each fiscal year during the Lease Term. The Lessee agrees and acknowledges that Exhibit B may be amended at any time to reflect an increase in Administrative Fees or Fiduciary Fees. If the Lessor determines that an amendment to Exhibit B is appropriate, the Lessor will mail to the Lessee a revised Exhibit B (identified by date or other means), by first class mail, postage prepaid. Said amendment will become effective and will for all purposes become a part of this Lease and will reflect Base Rentals to be paid by the Lessee for subsequent periods (unless Exhibit B is further amended as provided in this Section) upon the earlier of the acknowledgment thereof by the Lessee or automatically on the next payment date set forth in the revised Exhibit B.

The Lessee will pay Additional Rentals within fifteen (15) days after a written request therefor is mailed to the Lessee by or on behalf of the Lessor.

Each Lease Rental Payment will be applied first to the principal component of Base Rentals then due and payable, then as Additional Rentals then due and payable, then to the components of Base Rentals then due and payable other than the interest component and principal component, and finally to the interest component of Base Rentals then due and payable.

This Lease will be deemed and construed to be a "net lease," and the Lessee will pay absolutely net during the Lease Term, the Lease Rental Payments and all other payments required hereunder, free of any deductions, and without abatement, deduction or set-off (other than credits against Lease Rental Payments expressly provided for in this Lease).

Section 9. Manner of Payment. All Lease Rental Payments will be paid by check made payable and delivered to the Trustee. The obligation of the Lessee to pay the Lease Rental Payments and to perform and observe the covenants and conditions contained herein during the Lease Term will be absolute and unconditional except as otherwise expressly provided in this Lease, and payment of the Lease Rental Payments may not be abated through accident or unforeseen circumstances or damage to, destruction of, or failure to complete, the Project. Lessee will not assert any right of set-off or counterclaim against its obligation to make such payments required hereunder. No action or inaction on the part of the Lessor (or any of its assigns) will affect the Lessee's obligation to pay all Lease Rental Payment during the Lease Term.

Section 10. Expression of Lessee's Need for the Project; Determination as to Useful Life. The Lessee hereby declares its current need for the Project and further determines and declares its expectations that the Project

will (so long as it is subject to the terms hereof) adequately serve the needs for which it is being acquired throughout the Lease Term. The Lessee hereby determines and declares that, to the best of its knowledge, the period during which the Lessee has an option to purchase the Project (i.e. the maximum term of this Lease) does not exceed the useful life of the Project.

Section 11. [Reserved]

Section 12. Agreement to Acquire, Construct and Install the Project and Lease to the Lessee. The Lessee will provide for completion of the acquisition, construction, installation and equipping of the Project by the Lessee as the agent of the Lessor. The Lessee agrees that it will do all things which may be necessary or proper for the construction, acquisition, installation and equipping of the Project, on behalf of the Lessor. So long as this Lease is in full force and effect and no Event of Default has occurred, the Lessee will have full power to carry out the acts and agreements provided in this Section, and such power is granted and conferred under this Lease to the Lessee, and is accepted by the Lessee, and will not be terminated or restricted by act of the Lessor or the Trustee, except as provided in this Section. All contracts relating to the Project are hereby assigned to the Lessor.

Section 13. Disbursements from the Lessee's Lessee Acquisition Account. As long as no Event of Default has occurred, and the Lessee's right to control acquisition, construction, installation and equipping of the Project has not otherwise been terminated, disbursements from the Lessee's Lessee Acquisition Account may be made to pay or reimburse the Lessee for Costs of the Project. The Lessee must provide to the Lessor for approval, and thereafter to the Trustee, a request for disbursement substantially in the form set forth in Exhibit F hereto. Pending disbursement, unless otherwise directed in writing by the Lessee, amounts in the Lessee Acquisition Account will be invested by the Trustee in accordance with instructions provided by the Program Administrator.

If an Event of Default occurs prior to the completion of the Project or if the right of the Lessee to control the acquisition, construction, installation and equipping of the Project has been otherwise terminated, amounts on deposit in the Lessee's Lessee Acquisition Account may be utilized by the Lessor to complete the Project.

Section 14. Risk of Loss; Damage; Destruction. Lessee assumes all risk of loss or damage to the Project from any cause whatsoever. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Project will relieve Lessee of the obligation under this Lease. Lessee will promptly repair or replace any portions of Project lost, destroyed, damaged or appropriated which are necessary to maintain the Project in sound operating condition so that at all times during the Lease Term the Project will be able to carry out its intended functions.

The net proceeds of any insurance policies, performance Certificates, condemnation awards or net proceeds received as a consequence of default or breach of warranty under a construction contract or other contract relating to the Project will be deposited in the Lessee's Lessee Acquisition Account, if received before the completion of the Project, or, if received thereafter, to be deposited in a separate trust fund held by the Trustee and will be applied in the same manner described in Section 13. The balance remaining after repair, restoration, modification, improvement or replacement of the Project has been completed will be applied to satisfy payment of Lease Rental Payments.

Section 15. Disclaimer of Warranties. THE LESSOR, THE TRUSTEE AND THE OWNERS OF THE CERTIFICATES MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT OR ANY PORTION THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT OR ANY PORTION THEREOF.

Section 16. Financial Reports; Notice. The Lessee shall provide the Program Administrator with a copy of its unaudited year-end financial report by September 1 of each year and its audited financial statement as soon as it is available for release. The Lessee shall furnish to the Program Administrator such other information respecting the condition or operations, financial or otherwise, as the Program Administrator may from time to time reasonably request, including, but not limited to, all information needed by the Lessor in order to comply with the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12. The Lessee will immediately notify the Lessor and the Trustee of any Event of Default hereunder.

Section 17. Inspection and Lessee Reports. The Lessor, the Trustee and their respective authorized representatives shall at any time during normal business hours have the right to enter the premises where the Project

may be located for the purpose of inspecting and examining the Project and its condition, use, and operation and the books and records of the Lessee relating thereto.

Section 18. Maintenance of the Project by the Lessee. The Lessee agrees that, at all times during the Lease Term, the Lessee will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, ordinary wear and tear excepted, and that the Lessee will from time to time promptly make or cause to be made all necessary and proper repairs, except as otherwise provided in Section 14. The Lessor, the Trustee and the owners of the Certificates will not have any responsibility in any of these matters or for the making of any additions, modifications, improvements or replacements to the Project.

Section 19. Modification of the Project; Installation of Equipment and Machinery of the Lessee. Following acquisition of the Project, Lessee will not make any alterations, additions, substitutions or replacements to the Project which would have an adverse effect on either the nature of the Project or the functionality or value of the Project, unless such alterations, additions, substitutions, replacements or improvements may be readily removed without damage to the Project. Any alterations, additions or improvements to the Project which may not be readily removed without damage to the Project, and any substitutions or replacements, shall be and be considered to constitute a part of the Project.

The Lessee may also install machinery, equipment and other tangible property in or on the Project, provided that such machinery, equipment and other tangible property which becomes permanently affixed to the Project will be subject to this Lease if the Lessor reasonably determines that the Project would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

Section 20. Provisions Regarding Casualty, Public Liability and Property Damage Insurance. The Lessee, at its expense, will cause casualty and property damage insurance with a company or self-insurance fund acceptable to the Lessor to be carried and maintained with respect to the Project in an amount equal to the aggregate principal components of Lease Rental Payments payable during the maximum term of this Lease or the replacement cost (excluding foundations) of the Project, if less than such principal components. Any casualty and property damage insurance policy required by this Section will name the Lessor and the Trustee as additional named insureds and will be so written or endorsed as to make losses, if any, payable to the Trustee (for application as provided in Section 14).

The Lessee will cause public liability insurance to be carried and maintained with a company or self-insurance fund acceptable to the Lessor with respect to the Project in such amount as is approved by the Lessor. Any public liability insurance policy required by this Section will name the Lessor and the Trustee as additional named insureds.

Section 21. No Encumbrance, Mortgage or Pledge of Project. The Lessee will not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, unless specifically consented to in writing by the Program Administrator.

Section 22. Letter of Credit. If required by the Program Administrator, the Lessee, prior to or simultaneously with the execution and delivery of this Lease, shall cause a letter of credit, satisfactory in form and substance to the Program Administrator, to be issued by a bank satisfactory to the Program Administrator (an "Approved Bank") in favor of the Trustee as security for the obligations of the Lessee under this Lease.

Section 23. Assignment by Lessor. As the source of payment of the Certificates, the Lessor has assigned to the Trustee, under and pursuant to the Indenture, all of the Lessor's right, title and interest in, to and under this Lease and any Collateral Documents, including but not limited to the right to receive the Lease Rental Payments and other amounts due hereunder. The Lessee acknowledges and agrees that this assignment will entitle the Trustee to enforce any obligation of the Lessee hereunder and to exercise any remedy or right of the Lessor hereunder. The Lessee further acknowledges and agrees that, as provided in the Indenture, the function of the "Lessor" under this Lease may be performed by the Program Administrator (which may be a person or entity other than the Lessor) and its agents and representatives.

Section 24. Assignment and Subleasing by the Lessee. This Lease may not be assigned by the Lessee for any reason. The Project may be subleased by the Lessee, as a whole or in part, but only with the prior written consent of the Program Administrator.

Section 25. Purchase Option. The Lessee may, in its discretion, prepay in full its Lease Rental Payments under the Lease by paying to the Lessor the Optional Prepayment Price with respect to the Lease. The Optional Prepayment Price shall be used as provided in the Indenture. Upon payment of the Optional Prepayment Price, the Lessor's interest in the Project will terminate pursuant to Section 4 hereof. The Lessee may prepay principal components of Lease Rental Payments in minimum amounts of \$50,000 or in such lesser amounts as may be approved by the Program Administrator.

Section 26. Release and Indemnification Covenants. To the extent permitted by law, the Lessee will and hereby agrees to indemnify and save the Lessor and the Trustee (each, an "Indemnitee") harmless against and from any or all claims, by or on behalf of any person, firm, corporation or other legal entity, and all liabilities, obligations, losses and damages whatsoever, regardless of the cause thereof and the expenses, penalties and fees in connection therewith (including counsel fees and expenses), arising from or as a result of the operation, ordering, ownership, acquisition, construction, use, condition, delivery, rejection, storage, return or management of the Project during the Lease Term, or the entering into of the Lease or any other document or instrument relating thereto (collectively, "Indemnified Claims"), including, but not limited to: (i) any condition of the Project; (ii) any act of negligence of the Lessee or of any of the agents, contractors or employees or any violation of law by the Lessee or breach of any covenant or warranty by the Lessee hereunder; (iii) any accident in connection therewith resulting in damage to property or injury or death to any person; and (iv) the incurring of any cost or expense in connection with the acquisition of the Project in excess of the moneys available therefor in the Lessee's Lessee Acquisition Account. To the extent permitted by law, the Lessee will indemnify and save each Indemnitee harmless from any such Indemnified Claim, or in connection with any action or proceeding brought thereon and, upon notice from such Indemnitee, will defend or pay the cost of defending such Indemnitee, in any such action or proceeding.

The indemnification arising under this Section will continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease for any reason.

Section 27. Events of Default Defined. The following will be "Events of Default" under this Lease and the term "Event of Default" or "Default" will mean, whenever it is used in this Lease, any one or more of the following events:

- (a) Failure by the Lessee to pay any Lease Rental Payments at the time specified herein;
- (b) Failure by the Lessee to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than referred to in subsection (a) or (b) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied will have been given to the Lessee by the Lessor unless the Lessor agrees in writing to an extension of such time prior to its expiration.

Section 28. Remedies on Default. The following will be "Events of Default" under this Lease and the term "Event of Default" or "Default" will mean, whenever it is used in this Lease, any one or more of the following events:

- (a) Terminate the Lease Term and give notice to the Lessee to vacate or surrender the Project within 60 days from the date of such notice;
- (b) Sell or re-lease the Project or any portion thereof;
- (c) Declare an amount equal to all Base Rentals and Additional Rentals under this Lease to be immediately due and payable, whereupon that amount shall become immediately due and payable; or
- (d) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Project under this Lease and any Collateral Documents (including, without limitation, the right to possession of the Project and the right to sell or re-lease or otherwise dispose of the Project in accordance with applicable law and to appoint a receiver to operate the Project) and to recover damages for the breach thereof.

No remedy herein conferred upon or reserved to the Lessor is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient. If any agreement contained herein should be breached by either party and thereafter

waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

The Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the Lessor with respect to the enforcement of any of the remedies under this Lease, when a court of competent jurisdiction has finally adjudicated that an Event of Default has occurred.

Section 29. Notices. All notices, certificates, requests or other communications hereunder will be in writing and mailed (postage prepaid, and certified or registered with return receipt requested) or delivered (including delivery by courier service) as follows: if to the Lessor, Kentucky Area Development Districts Financing Trust, c/o Ross, Sinclair & Associates, Inc., 315 North Broadway, Lexington, KY 40508, Attention: Administrator, if to Trustee, to Fifth Third Bank, 38 Fountain Square Plaza, Mail Drop 10AT60, Cincinnati, Ohio 45263, Attention: Corporate Trust Department, if to the Lessee, to the address shown on the cover page hereof. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications will be sent hereunder. All notices, certificates, requests and other communications pursuant to this Lease will be effective when received (if given by mail) or when delivered (if given by delivery).

Section 30. Amendments, Changes and Modifications. Except as provided in Section 8 with respect to Exhibit B, this Lease may not be amended, changed, modified or altered, or any provision hereof waived, without the written consent of the Lessor and the Lessee.

Section 31. Third Party Beneficiary. Except for the Trustee and the Program Administrator, no person other than a party hereto, will have any right, remedy or claim under or by reason of this Lease or otherwise be a third party beneficiary of any rights, remedies, claims or agreements hereunder.

Section 32. Lessee Acknowledgment of the Certificates. The Lessee acknowledges (i) that this Lease and the financing by the Lessor of the Project is a part of the Program; and (ii) that the Lease Rental Payments under this Lease, together with lease rental payments under other leases entered into by Lessors under the Program, are and will be applied to (A) pay the principal and premium, if any, and interest on the Certificates and (B) pay all other costs and expenses of the Program. The Lessee acknowledges and consents to the assignment by the Lessor, pursuant to the Indenture and Section 23 hereof, to the Trustee, for the equal and ratable benefit of the Owners of the related Certificates, of all right, title and interest of the Lessor in, to and under this Lease.

Section 33. Miscellaneous. This Lease will inure to the benefit of and will be binding upon the Lessor and the Lessee and their respective successors and assigns (including, without limitation, security assigns). This Lease may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument. This Lease will be governed by and construed in accordance with the laws of the State. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease. If any provision of this Lease, other than the requirement of the Lessee to pay Lease Rental Payments and the requirement of the Lessor to provide quiet enjoyment of the Project and to convey the Project to the Lessee under the conditions set forth herein, is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

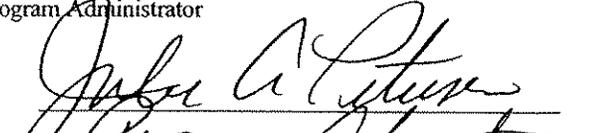
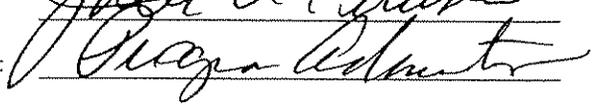
IN WITNESS WHEREOF, the Lessor has executed this Lease in its name; and the Lessee has caused this Lease to be executed in its name and attested by duly authorized officers thereof. All of the above are effective as of the date first above written.

**KENTUCKY AREA DEVELOPMENT DISTRICTS
FINANCING TRUST, as Lessor**

By: Ross, Sinclair & Associates, Inc.,
as Program Administrator

By:

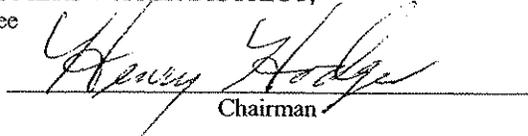
Title:

**CONSUMERS WATER DISTRICT,
as Lessee**

By:

Chairman



Attest:

By:

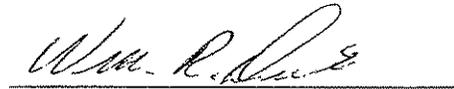

Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

ESTIMATED COST OF THE PROJECT	\$118,000
ESTIMATED DATE OF COMPLETION OF THE PROJECT:	November 30, 2003

DESCRIPTION

The proceeds of this Lease will be used to fund the costs of extending water lines for the Kentucky Route 2205/564 project.

EXHIBIT B
LEASE RENTAL PAYMENTS

EXHIBIT C

FORM OF RESOLUTION

RESOLUTION NO. _____

A RESOLUTION APPROVING A LEASE FOR THE FINANCING OF A PROJECT AND AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS RELATED TO SUCH LEASE.

WHEREAS, the governing body of the Consumers Water District, Kentucky (the "Lessee") has the power, pursuant to Section 65.940 *et seq.* of the Kentucky Revised Statutes to enter into lease agreements with or without the option to purchase in order to provide for the use of property for public purposes;

WHEREAS, the governing body of the Lessee (the "Governing Body") has previously determined, and hereby further determines, that the Lessee is in need of the Project, as defined in the Lease hereinafter described;

WHEREAS, the Governing Body has determined and hereby determines that it is in the best interests of the Lessee that the Lessee and the Kentucky Area Development Districts Financing Trust (the "Lessor") enter into a Lease Agreement (the "Lease") for the leasing by the Lessee from the Lessor of the Project;

NOW THEREFORE, BE IT ORDERED AND RESOLVED BY THE CITY COUNCIL OF THE CONSUMERS WATER DISTRICT:

Section 1. Recitals and Authorization. The Lessee hereby approves the Lease Agreement (the "Lease") and all Collateral Documents, as defined in the Lease, each in substantially the form presented to this Governing Body. It is hereby found and determined that the Project identified in the Lease is public property to be used for public purposes. It is further determined that it is necessary and desirable and in the best interests of the Lessee to enter into the Lease for the purposes therein specified, and the execution and delivery of the Lease and all representations, certifications and other matters contained in the Closing Memorandum with respect to the Lease, or as may be required by the Lessor prior to delivery of the Lease, are hereby approved, ratified and confirmed. The Chairman and Secretary of the Lessee are hereby authorized to execute the Lease, together with such other agreements or certifications which may be necessary to accomplish the transaction contemplated by the Lease.

Section 2. Investment of Funds. Ross, Sinclair & Associates, Inc., as Program Administrator, is hereby authorized to direct the Trustee to invest funds on deposit under the Lease in such manner, subject to all legal limitations, as will, in the Program Administrator's judgment, produce the most favorable financial result for the Lessee.

Section 3. Severability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.

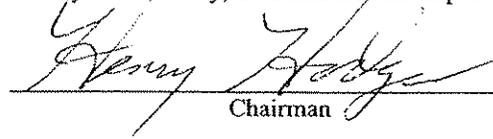
Section 4. Sunshine Law. This Governing Body hereby finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of this Governing Body, and that all deliberations of this governing Body and of its committees, if any, which resulted in formal action, were in meetings open to the public, in full compliance with applicable legal requirements.

Section 5. Conflicts. All resolutions, orders or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed and the provisions of this Resolution shall prevail and be given effect.

Section 6. Effective Date. This Resolution shall take effect from and after its passage, as provided by law.

INTRODUCED, SECONDED AND ADOPTED, at a duly convened meeting of the Governing Body, held on October 28, 2002, signed by the Chairman of the Lessee, attested by the Secretary, filed and indexed as provided by law.

By:


Chairman

ATTEST:

By:

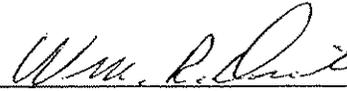

Secretary

EXHIBIT D

OPINION OF LESSEE'S COUNSEL

[Date]

Fifth Third Bank, trustee
Cincinnati, Ohio

Kentucky Area Development Districts Financing Trust
420 Capitol Avenue
Frankfort, Kentucky 40601

Re: Lease Agreement between Kentucky Area Development Districts Financing Trust, as lessor, and
Consumers Water District, as lessee

Ladies and Gentlemen:

We have acted as counsel to the lessee identified above (the "Lessee") in connection with the authorization, execution, and delivery by the Lessee of the Lease Agreement identified above, (the "Lease"), between the Lessee and Kentucky Area Development Districts Financing Trust (the "Lessor"). We have reviewed (i) the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), (ii) certain proceedings taken by the Governing Body of the Lessee, (iii) an executed copy of the Lease and any Collateral Documents, as defined in the Lease, and (iv) such other information and documents as we have deemed necessary or appropriate in order to render this opinion.

Based on the foregoing, we are of the opinion that:

1. The Lessee is a body politic and corporate, validly organized and existing in good standing under the laws of the Commonwealth and has full power and authority to enter into and to perform its obligations under the Lease.
2. The Lease and any Collateral Documents have been duly authorized, executed and delivered by the Lessee and (assuming the due authorization, execution and delivery thereof by the other parties thereto) constitute legal, valid and binding obligations of the Lessee, enforceable against the Lessee in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.
3. All consents, approvals or authorizations of any governmental entity and all filings and notices required on the part of the Lessee in connection with the authorization, execution and delivery of the Lease and the consummation of the transactions contemplated thereby have been obtained and are in full force and effect.
4. Neither the execution and delivery of the Lease nor the consummation of the transactions contemplated thereby, nor the fulfillment of or compliance with the terms and conditions of the Lease conflict with or constitute a violation of any provision of any law or regulation applicable to the Lessee or, to the best of our knowledge after reasonable investigation, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound.
5. To the best of our knowledge, after reasonable investigation, there is no action, suit, proceeding or governmental investigation at law or in equity before or by any court, public board or body, pending of which the Lessee has been served with a summons, summons and complaint or other notice of commencement, or threatened against or affecting the Lessee, challenging the validity of the Lease or contesting the power and authority of the Lessee to execute and deliver the Lease or to consummate the transactions contemplated by the Lease.

Respectfully submitted,

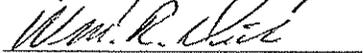
EXHIBIT E

CERTIFICATE OF OFFICIALS OF LESSEE

Re: Lease Agreement between Kentucky Area Development Districts Financing Trust, as lessor, and the Consumers Water District, as lessee dated November __, 2002.

The undersigned officials of the lessee identified above (the "Lessee") under the Lease Agreement identified above (the "Lease") between the Lessee and the Kentucky Area Development Districts Financing Trust (the "Lessor"), DO HEREBY CERTIFY AS FOLLOWS:

1. That they are the duly elected or appointed, qualified and acting incumbents of their respective offices of the Lessee, as set forth after their signatures hereto, and as such are familiar with the books, records and affairs of the Lessee.
2. That the Lessee is a body politic and corporate, validly organized, existing and in good standing under and by virtue of the laws of the Commonwealth of Kentucky with all requisite power and authority to lease property as lessee and to carry on its business as now being conducted.
3. That included in the transcript of which this Certificate forms a part is a true, correct and complete copy of the resolution duly adopted by the Governing Body of the Lessee on October 28, 2002 (the "Official Action"), authorizing the appropriate officials of the Lessee to execute the Lease. The Official Action was duly adopted in accordance with all applicable laws.
4. The representations and warranties of the Lessee made in the Lease are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof; the Official Action has not been amended or supplemented and is in full force and effect; and the Lease has been entered into and is in full force and effect.
5. That the below-named persons were on the date or dates of the execution of the Lease and are on the date of this certificate the duly elected or appointed and qualified incumbents of the respective offices of the Lessee set forth opposite their names and that the signatures set forth opposite their names are their genuine signatures:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
<u>HENRY HODGES</u>	Chairman	
<u>WILLIAM R. DICK</u>	Secretary	

6. The Lease and any Collateral Documents, as defined in the Lease, have been duly authorized, executed and delivered by the Lessee and constitute legal, valid and binding obligations of the Lessee, enforceable against the Lessee in accordance with their terms.
7. The Lessee is not in default under or in violation of (i) any provisions of applicable law, (ii) the Lease, or (iii) any indenture, mortgage, lien, agreement, contract, deed, lease, loan agreement, note, order, judgment, decree or other instrument or restriction of any kind or character to which it is a party or by which it or its properties are or may be bound, or to which it or any of its assets is subject, which default would have a material adverse effect on the condition, financial or otherwise, of the Lessee or on the ability of the Lessee to perform its obligations under the Lease. Neither the execution and delivery of the Lease nor compliance by the Lessee with the terms, conditions and provisions of the Lease will conflict with or result in a breach of, or constitute a default under, any of the foregoing.
8. Since the date of the financial information provided to the Lessor, there have not been any material adverse changes in the business, properties, condition (financial or otherwise) or results of operations of the Lessee, whether or not arising from transactions in the ordinary course of business, and since such date, except in the ordinary course of business, the Lessee has not entered into any transaction or incurred any liability material to the financial position of the Lessee.

9. There is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or, to the best of our knowledge, threatened against or affecting the Lessee wherein an unfavorable decision, ruling or finding would materially adversely affect the business, properties, condition (financial or otherwise) or the results of operations of the Lessee or the ability of the Lessee to perform its obligations under the Lease and any Collateral Documents.

10. All authorizations, consents and approvals of, notices to, registrations or filings with, or other actions in respect of or by, any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the Lessee of the Lease and any Collateral Documents have been duly obtained, given or taken (and copies thereof have been provided to the Lessor).

11. This certificate is delivered to enable the Financial Advisor to comply with Securities and Exchange Commission Rule 15c2-12 Certificate (the "Rule") in connection with the offering and sale of the Bonds. An Offering Circular setting forth information concerning the Lessee has been prepared in connection with the offering and sale of the Certificates, as defined in the Lease (the "Offering Circular"). The information included in Offering Circular regarding the Lessee is deemed final within the meaning of the Rule.

12. Any certificate signed by any official of the Lessee and delivered to the Lessor will be deemed to be a representation by the Lessee to the Lessor as to the statements made therein.

WITNESS our hands this October 28, 2002.

By: 
Chairman

ATTEST:

By: 
Secretary

EXHIBIT F

REQUEST FOR DISBURSEMENT

Re: Lease Agreement between Kentucky Area Development Districts Financing Trust, as lessor, and Consumers Water District, as lessee dated November __, 2002.

Requisition Certificate No. _____.

The Lessee hereby requests a disbursement from its Lessee Acquisition Account in the amount of \$ _____ and hereby certifies, as follows (except that with respect to a disbursement to pay an interest component of Lease Rental Payments during construction of a Project, only the document described in (a) below will be required):

(a) Attached is a statement of the amount and nature of each item of the Costs of the Project to be paid and the name and address of the payee, with the payee's statement and, if reimbursement to the Lessee of amounts previously paid is requested, evidence of such payment;

(b) each item for which payment or reimbursement is requested is or was necessary in connection with the Costs of the Project and none of such items formed the basis for any previous payment from the Lessee's Lessee Acquisition Account;

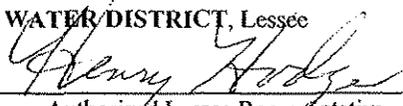
(c) each contractor, subcontractor and materialman has filed with the Lessee receipts or waivers of liens for all amounts previously certified for payment, or any amount previously certified for reimbursement to the Lessee, or there is on file with the Lessee a cancelled check endorsed by the contractor, subcontractor or materialman evidencing such payment;

(d) all of the warranties and representations of the Lessee contained in the Lease are true and correct as of the date of such disbursement, as though such warranties and representations were made on such date, no Event of Default has occurred under the Lease, the right of the Lessee to control the acquisition, construction and installation of the Project has not otherwise been terminated pursuant to the Lease, and that amounts on deposit in the Lessee's Lessee Acquisition Account will be sufficient to complete the Project in accordance with the approved plans and specifications;

Executed this _____ day of _____, _____.

CONSUMERS WATER DISTRICT, Lessee

By:


Authorized Lessee Representative

APPROVED:

APPROVED:

By:

[Architect][Construction Manager]

By:

Program Administrator

EXHIBIT G

FURTHER REPRESENTATIONS, COVENANTS AND WARRANTIES OF LESSEE

[Covenants consistent with existing bond resolution to be added]

EXHIBIT H

FORM OF NO-ARBITRAGE CERTIFICATE

CERTIFICATE UNDER SECTIONS 103(b)(2) and 148
OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED

LESSEE: Consumers Water District
LEASE AMOUNT: \$125,000

The Lessee hereby certifies with respect to the Lease from the Kentucky Area Development Districts Financing Trust (the "Lessor"), which is entered into for the purpose of acquiring and financing certain improvements (the "Project") and made as of the date hereof (the "Closing Date"), which is the date of delivery of, and payment for, the Lease, that the following facts, estimates and circumstances regarding the amount and use of all of the Proceeds, as defined in Treas. Reg. § 1.148-1(b), issued under the Internal Revenue Code of 1986, as amended (the "Code"), of the Lease are, as of the Closing Date and according to the Lessee's best knowledge, information and belief, reasonably expected to exist or to occur:

A. Proceeds. The Proceeds of the Lease consist, and will consist, of the Sale Proceeds and Investment Proceeds, each as defined in Treas. Reg. § 1.148-1(b), issued under the Code.

B. Purpose of Issue. The Proceeds of the Lease, together with certain other funds, will be used to finance the Project, which constitutes a valid governmental purpose (the "Governmental Purpose").

The total amount of Proceeds received by the Lessee will not exceed the amount necessary to finance the Governmental Purpose. The Lease is being entered into at this time in such amount because the Lessee is obligated or will soon be obligated to make certain payments with respect to the Project and because it would be costly and inefficient to issue additional debt in the future to finance additional payments with respect to the remainder of the costs of the Project that are expected to become due.

C. Yield on the Lease. (1) The price at which the Lease was sold to the Lessor is equal to the Lease Amount. (2) The Yield on the Lease, as defined in Treas. Reg. § 1.148-4, issued under the Code, is _____%.

D. Application of Proceeds. All of the Sale Proceeds and Investment Proceeds will be used to pay the cost of the Project, including issuance expenses and interest during construction and amounts allocated to reimburse the Lessee for capital expenditures, as that term is defined in Treas. Reg. § 1.150-2, issued under the Code, for the Project paid by the Lessee prior to the Closing Date, pursuant to the Lessee's Official Expression of Intent (as hereinafter defined). No amount received as Proceeds of the Lease will be used for a purpose not set forth in this Section.

E. Expenditure of Proceeds. The acquisition of the Project will commence promptly following the Closing Date, and the Lessee has incurred, or will incur, within six (6) months after the Closing Date, a substantial binding commitment to expend at least five percent (5%) of the Net Sales Proceeds (defined in Treas. Reg. § 1.148-1(b) as Sales Proceeds less an amount that is the lesser of five percent (5%) of the Sales Proceeds or \$100,000) on the Project. The Lessee will expend at least eighty-five percent (85%) of the Net Sales Proceeds by no later than three (3) years from the Closing Date. The acquisition of the Project will proceed with due diligence to completion and the Proceeds will be spent on the Project with due diligence no later than three (3) years after the Closing Date.

F. Investment of Proceeds. (1) The Lessee has agreed in the Tax Compliance Agreement attached hereto that it will not invest any of the Proceeds of the Lease without the express consent of the Lessor, and any such investments will be done so that such investment will not cause interest on the Lease to be includable in the holder's gross income for purposes of federal income taxation or the debt to be treated as "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code and the Treasury Regulations thereunder.

(2) Not more than fifty percent (50%) of the Proceeds of the Lease will be invested in investments that both do not carry out the Governmental Purpose of the Lease and have a substantially guaranteed yield for at least four (4) years.

(3) No account or fund has been or will be established to pay principal of, premium, if any, or interest on the Lease. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the Lease, and there are no moneys, sources of funds, securities or obligations with respect to which the Lessor has given or will give any reasonable assurance to any holder of the Lease that such funds will be available to pay principal of, premium, if any, or interest on the Lease.

(4) Any unexpended portion of the Proceeds of the Lease, including any amounts in any reasonably required reserve or replacement fund, will be invested as permitted by the Trust Indenture for the Certificates and other than any funds described herein invested during a temporary period permitted under Treas. Regs. §§ 1.148-1 through -11, issued under the Code, if any, or any amounts in any reasonably required reserve or replacement fund, as described in Treas. Reg. § 1.148-2(f), no Proceeds of the Lease, or any moneys that may become Replacement Proceeds, as defined in Treas. Reg. § 1.148-1(c), of the Lease, in excess of the lesser of (i) five percent (5%) of such Proceeds or (ii) \$100,000, have been invested in "higher yielding investments," as defined in the Code and the Treasury Regulations thereunder.

G. General. (1) Neither the Project, nor any part thereof, will be sold or otherwise disposed of by the Lessee prior to the final principal maturity date of the Lease.

(2) The Lessee will allocate Proceeds of the Lease to reimburse itself only for capital expenditures paid not earlier than sixty (60) days prior to the Closing Date or not earlier than sixty (60) days prior to the date it adopted an official expression of intent to reimburse (the "Official Expression of Intent"), within the meaning of Treas. Reg. § 1.150-2, issued under the Code, if earlier, or as otherwise permitted pursuant to Treas. Reg. § 1.150-2.

(3) There are no amounts, other than the Gross Proceeds of the Lease, that are available for the Governmental Purpose. There are no sinking funds or pledged funds and the term of the Lease is not longer than reasonably necessary for the Governmental Purpose.

(4) Any Arbitrage Compliance Payments (defined in the Tax Compliance Agreement), owed pursuant to Section 148(f) of the Code, will be remitted to the United States Treasury as directed by the Lessor, pursuant to the Tax Regulatory Agreement entered into with respect to the Certificates.

(5) The Lessee has not employed in connection with the Lease a transaction or series of transactions that attempts to circumvent the provisions of Sections 103(b)(2) and 148 of the Code and the Treasury Regulations thereunder, enabling the Lessee to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage and/or increasing the burden on the market for tax-exempt obligations through actions such as issuing more obligations, issuing obligations sooner or allowing them to remain outstanding longer than would otherwise be necessary for the Governmental Purpose.

(6) The Lessor has never been advised of any listing or contemplated listing by the Internal Revenue Service to the effect that the Lessee's certification with respect to its obligations may not be relied upon and no notice to that effect has been published in the Internal Revenue Bulletin.

(7) Certain of the facts, estimates and circumstances contained herein are based upon representations made by the Lessor in the attached certificate, or in other letters and reports that accompany the sundry closing documents related to the sale and delivery of the Lease. The Lessee is not aware of any facts, estimates or circumstances that would cause it to question the accuracy of such representations. To the best of the knowledge, information and belief of the undersigned, who is authorized by the Lessee to sign this certificate on behalf of the Lessee, the above expectations of the Lessee as stated herein are reasonable and there are no other facts, estimates or circumstances that would materially change the foregoing conclusion.

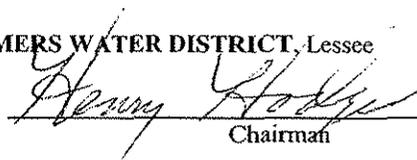
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- (8) During this calendar year, the Lessee, which has general taxing powers, has not issued and does not expect to issue any tax-exempt obligations, including any tax-exempt Certificates and any obligations issued by any subordinate entities, but excluding "private activity bonds," as defined in the Section 141 of the Code, and any current refunding bonds, as defined in Section 148(f)(4)(D)(iii) of the Code, exceeding \$5,000,000 in aggregate face amount.
- (9) Pursuant to § 265(b)(3)(B)(ii) of the Code, the Lessee hereby specifically designates the Lease as a "qualified tax-exempt obligation" for purposes of § 265(b)(3) of the Code. In compliance with § 265(b)(3)(D) of the Code, the Lessee hereby represents that the Lessee (including all "subordinate entities" of the Lessee within the meaning of § 265(b)(3)(E) of the Code) reasonably anticipates that it will not issue in calendar year 2001, "qualified tax-exempt obligations" in an amount greater than \$10,000,000.

This certificate is being executed and delivered pursuant to Treas. Regs. §§ 1.148-1 through -11 issued under the Code, of which the undersigned, with the advice of counsel, is generally familiar. On the basis of the foregoing, it is not expected that the proceeds of the Lease will be used in a manner that would cause the Lease or the Certificates to be "arbitrage Certificates" under Sections 103(b)(2) and 148 of the Code or the Treasury Regulations thereunder.

CONSUMERS WATER DISTRICT, Lessee

By:


Chairman

Dated: _____

Attachment to No-Arbitrage Certificate

**TAX COMPLIANCE AGREEMENT
KENTUCKY AREA DEVELOPMENT DISTRICTS FINANCING TRUST**

LESSEE: Consumers Water District

DATE OF AGREEMENT: November __, 2002

LEASE AMOUNT: \$125,000

This Tax Compliance Agreement relates to a Lease Agreement between the Lessee and the Kentucky Area Development Districts Financing Trust dated the date of this Tax Compliance Agreement.

TAX COMPLIANCE AGREEMENT

THIS TAX COMPLIANCE AGREEMENT (the "Tax Compliance Agreement") is made and entered into as of the date shown on the cover page hereto between the KENTUCKY AREA DEVELOPMENT DISTRICTS FINANCING TRUST (the "Lessor") and the LESSEE shown on the cover page hereto (the "Lessee"):

WITNESSETH:

WHEREAS, the Lessee has agreed, in a lease agreement dated the date hereof (the "Lease") to borrow the Lease Amount shown on the cover page hereto pursuant to a Program administered by the Lessor to finance the project identified in the Lease (the "Project"); and

WHEREAS, it is necessary for the parties hereto to enter into this Tax Compliance Agreement to ensure that interest paid on the Lease shall be and shall all remain excludible from gross income for Federal income purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and is not and will not become a specific item of tax preference under Section 57(a)(5)(C) of the Code for the federal alternative minimum tax.

NOW, THEREFORE, the parties hereto agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. In addition to words and terms defined elsewhere in this Tax Compliance Agreement, the Code and Regulations (each as herein defined), the No-Arbitrage Certificate (as hereinafter defined), the Indenture and the Lease, the following capitalized words and terms used in this Tax Compliance Agreement shall have the following meanings, unless some other meaning is plainly intended:

"Arbitrage Bond" means any obligation of a Governmental Entity that is treated as an arbitrage bond under Sections 103(b)(2) and 148 of the Code.

"Arbitrage Compliance Payment" means any Rebate Payment and any Yield Reduction Payment.

"Capital Expenditure" means any expense that is properly depreciable or amortizable or is otherwise treated as a capital expenditure under the Code, and for the purposes of determining eligible Reimbursement Allocations, Costs of Issuance.

"Closing Date" means the date of this Tax Compliance Agreement.

"Cost of Issuance" means any expenditure incurred in connection with the issuance of the Lease or the Lessee's share of such expenditures relating to the Certificates, including such costs as underwriters' spread, rating agency fees, appraisal costs, attorneys' and accounts' fees and printing costs, but excluding Qualified Guarantee Fees or expenditures incurred in connection with the acquisition of the Project.

"Disposition Proceeds" means the amounts, including property, received from the sale, exchange or other disposition of the Project.

"Federally-Guaranteed" means having the payment of either the principal of or interest on any portion of the Lease or any loan made with the Proceeds of any portion of the Lease guaranteed, in whole or in part, directly or indirectly, by the United States, or acquiring any Investment Property that is, directly or indirectly federally-insured, except as otherwise permitted by Section 149(b) of the Code.

"Governmental Entity" means any State and any political subdivision and agency of any State.

"Gross Proceeds" means Sale Proceeds and Replacement Proceeds, determined pursuant to Treas. Regs. §§ 1.148-1(b) and -1(c), all until spent.

"Investment Proceeds" means any amounts actually or constructively earned or received from investing the Proceeds in Investment Property.

"Investment Property" means any security (as defined in Section 165(g)(2)(A) or (B) of the Code), obligation (including any Tax-Exempt Bond), annuity contract or other investment-type property.

"No-Arbitrage Certificate" means the "Certificate under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as Amended" given by the Lessee with respect to the Lease.

"Non-Governmental Entity" means any person or entity, other than a Governmental Entity.

"Pledged Fund" means any amount pledged, directly or indirectly, to pay principal of or interest on the Lease and which provides reasonable assurance of such amounts being paid even if the Lessee experiences financial difficulties, including amounts subject to a negative pledge.

"Pre-TRA Bond" means any Governmental Obligation the interest on which was excludable from gross income from federal income tax purposes pursuant to Sections 103 or 103A of the Internal Revenue Code of 1954, as amended to the date obligations were issued.

"Private Loan" means any loan, directly or indirectly, of any of the Proceeds of an obligation of a Governmental Entity to any Non-Governmental Entity.

"Private Use" means the use of any Proceeds of the Lease or any facilities financed with such Proceeds by Private Users.

"Private User" means any Non-Governmental Entity, other than a natural person not engaged in a trade or business.

"Rebate Amount" means the amount determined by the Lessor pursuant to this Tax Regulatory Agreement.

"Rebate Payment" means any payment of the Rebate Amount made or owed to the United States Treasury.

"Redemption Date" means the date on which the last of the principal of and interest on the Lease has been paid, whether upon maturity, redemption or acceleration thereof.

"Replacement Proceeds" means amounts replaced by Proceeds of the Lease, including any sinking fund, Pledged Fund, restricted gifts (not including qualified endowment funds, pursuant to Treas. Reg. § 1.148-6(d)(3)(iii)(C)) or reserve or replacement fund, or other funds that would be available, directly or indirectly, to pay debt service on any of the Lease, within the meaning of Treas. Reg. § 1.148-1(c).

"Research Agreement" means an agreement between the Lessee and a Private User under which the Lessee or the Private User uses any portion of the Project to carry on research.

"Sale Proceeds" means the Lease Amount shown on the cover page hereto.

"Service Contract" means a contract between the Lessee and a Service Provider under which the Service Provider provides services, including management services, involving any portion or function of a Governmental Facility financed with Governmental Certificates.

"Service Provider" means any Private User that provides management or other services.

"SLGS" means any security that is part of the United States Treasury Obligation - State and Local Government Series.

"State" means any state and possession of the United States and the District of Columbia.

"Tax-Exempt Bond" means (i) any Governmental Obligation the interest on which is excludable from gross income for federal income tax purposes, pursuant to Sections 103 and 150(a)(6) of the Code, (ii) any Pre-TRA Bond, (iii) certain tax-exempt mutual funds, as provided in Treas. Reg. § 1.150-1(b), and (iv) any SLGS.

"Treasury Regulation" and "Treas. Reg." means any Regulation, Proposed Regulation or Temporary Regulation, as may be applicable, issued by the United States Treasury Department pursuant to the Code or the 1954 Code, as appropriate.

"Yield" means, pursuant to Treas. Regs. §§ 1.148-4 and -5, that discount rate which, when computing the present value of all payments of principal and interest to be paid on an obligation, produces an amount equal to, in the case of the Lease, the Issue Price and in the case of any Investment Property, the fair market value, as provided in Treas. Reg. § 1.148-5(d).

"Yield Reduction Amount" means the amount determined by the Lessor pursuant to the Tax Regulatory Agreement.

"Yield Reduction Payment" means any payment of the Yield Reduction Amount made to the United States Treasury.

SECTION 1.02. Interpretative Rules. For all purposes of this Tax Compliance Agreement, except as otherwise expressly provided or unless the context otherwise requires (a) "Tax Compliance Agreement" means this instrument, as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof; (b) all references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed; (c) the words "herein," "hereof," "hereunder" and "herewith" and other words of similar import refer to this Tax Compliance Agreement as a whole and not to any particular Article, Section or other subdivision; (d) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular; (e) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; (f) the terms defined elsewhere in this Tax Compliance Agreement shall have the meanings therein prescribed for them; (g) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders; (h) the headings used in this Tax Compliance Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

ARTICLE II

COVENANTS AND REPRESENTATIONS OF THE LESSOR AND THE LESSEE ACKNOWLEDGEMENTS BY, DIRECTIONS TO AND FROM THE LESSOR AND THE LESSEE

SECTION 2.01. Authority and Organization. (a) The Lessee represents for the benefit of the Lessor that it is a political subdivision of the Commonwealth of Kentucky with the power, among others, to enter into the Lease in furtherance of its corporate purposes, including financing the cost of the Project; and

(b) The Lessor represents for the benefit of the Lessee that (i) the Lessor is a trust duly organized and validly existing under the laws of the Commonwealth of Kentucky; and (ii) the Lessor has full power and authority granted to it by the Commonwealth of Kentucky to establish a program to enter into fixed rate leases with counties, political subdivisions and public agencies of the Commonwealth of Kentucky.

SECTION 2.02. Use of Proceeds. The Lessee represents that:

(a) No Private Use of Proceeds. No Proceeds of the Lease will be used to make Private Loans and no use of the Project will be Private Use without the prior written consent of the Lessor. The Lessee expects to use the Project for the entire stated term of the Lease.

(b) Expectations. The Lessee expects to incur, no later than six months after the Closing Date, a substantial binding commitment to expend at least five percent (5%) of the Sale Proceeds of the Lease and to commence acquisition of the Project within a reasonable period of time after the Closing Date. The Lessee expects that (i) it will expend at least eighty-five percent (85%) of the Sale Proceeds of the

Lease by June 20, 2003, (ii) the acquisition of the Project will proceed with due diligence to completion and (iii) the Sale Proceeds of the Lease will be spent with due diligence. For this purpose, a Reimbursement Allocation may be treated as an expenditure. The total amount of Sale Proceeds of the Lease, together with Investment Proceeds, will not exceed the amount necessary for the Project being financed with the Lease, including, to the extent permitted, issuance expenses and interest during construction.

(c) Use of the Project. The Lessee will own or lease and operate the Project during the entire term of the Lease.

(d) Reimbursement Allocations. The Lessee will not make any Reimbursement Allocation with the Proceeds of the Lease for Capital Expenditures that were paid prior to sixty (60) days before the date on which the Lessee adopted a Reimbursement Resolution authorizing the issuance of debt to finance the Project, except that expenditures for Costs of Issuance paid before the Closing Date, certain preliminary Capital Expenditures not in excess of twenty percent (20%) of the Lease Amount, and an amount of Capital Expenditures not in excess of the lesser of five percent (5%) of the Lease Amount or \$100,000 may receive a Reimbursement Allocation even if the expenditure was paid more than sixty (60) days prior to the date of adoption of the Reimbursement Resolution described herein and even if the allocation would not otherwise qualify as a Reimbursement Allocation.

(e) Investment Limitations. (i) The Lessee will invest the Gross Proceeds of the Lease and any Disposition Proceeds of the Lease as provided in the Indenture.

(ii) If at any time, either the Lessee determines or is informed that the Yield on the investment of moneys held by itself or any other person must be restricted or limited in order to prevent the Lease from becoming Arbitrage Bonds, the Lessee shall and shall so instruct any holder of the Sale Proceeds or Investment Proceeds of the Lease to take such action or actions as may be necessary to restrict or limit the yield on such investments as set forth in, and in accordance with, such instruction.

(f) Federal Guarantees. The Gross Proceeds will not be invested in any Investment Property that is Federally-Guaranteed.

SECTION 2.03. Service Contracts. The Lessee represents that it will not enter into any Service Contracts with respect to the Project without the prior written consent of the Lessor.

SECTION 2.04. Research Agreements. The Lessee represents that it will not enter into any Research Agreements with respect to the Project without the prior written consent of the Lessor.

SECTION 2.05. Changes in Use or User of Project. The Lessee represents that (a) no part of the Project will be sold, otherwise disposed of or leased without the prior written consent of the Lessor; (b) it will not permit any use of its Project by any person or entity other than itself without the prior written consent of the Lessor; and (c) any portion of a Project consisting of personal property may be sold in the ordinary course of an established governmental program if (i) the weighted average maturity of the portion of the Lease financing the personal property was not greater than one hundred twenty percent (120%) of the reasonably expected actual use of such personal property by the Lessee, (ii) the Lessee expected at the date of the Lease that the fair market value of the personal property at the time of disposition would not be greater than twenty-five percent (25%) of its cost and (iii), at the time of disposition, the personal property is no longer suitable for the governmental purpose for which it was acquired.

SECTION 2.06. Investments. The Lessee will invest the Gross Proceeds of the Lease and any Disposition Proceeds of the Lease only as instructed by the Program Administrator, which instructions will be in accordance with instructions regarding compliance with the Code provided to the Program Administrator.

SECTION 2.07. Records. The Lessee represents that proper records and accounts, containing complete and correct entries of all transactions relating to the Lease, the use of the Gross Proceeds of the Lease and the expenditures made in connection with the acquisition of the Project, will be maintained. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

SECTION 2.08. Payment of Arbitrage Compliance Amounts. The Lessee represents that all actions necessary to comply with the Yield limitations applicable to investments of the Sale Proceeds and Investment Proceeds of the Lease and the rebate requirements contained in Section 148(f) of the Code and the Treasury Regulations thereunder will be taken. Immediately upon the request of the Lessor, the Lessee will assemble copies of records concerning investments of Gross Proceeds of the Lease, including any amounts held by any provider of a letter of credit or guarantor under a reimbursement or other similar agreement. In particular, the Lessee will provide the Lessor with information that will enable the Lessor to determine if any Rebate Amount is payable. The Lessee will pay any Arbitrage Compliance Payment owed with respect to the Gross Proceeds of the Lease, as determined by the Lessor. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

SECTION 2.09. Information Reporting Requirements. The Lessee represents that it will timely execute and file any information reports required under Section 149(e) of the Code (Form 8038-G) or as required by the Lessor.

SECTION 2.10. Compliance with Tax Compliance Agreement. (a) The Lessee may, at any time, employ Bond Counsel, independent certified public accountants, or other qualified experts acceptable to the Lessor to perform any of the requirements imposed upon the Lessee by this Tax Compliance Agreement.

(b) The Lessor and the Lessee agree, to the extent reasonably possible, to comply with any amendments to the Code or any applicable Regulations, effective retroactively, and the Lessor and the Lessee shall take all actions necessary to amend this Tax Compliance Agreement to comply therewith.

(c) Whenever any action or direction is required of the Lessee hereunder, such action or direction may, or in the absence of any such action or direction shall, be made by the Lessor.

IN WITNESS WHEREOF, the Lessor and the Lessee have each caused this Tax Compliance Agreement to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth on the cover page hereto.

**KENTUCKY AREA DEVELOPMENT DISTRICTS
FINANCING TRUST**, as Lessor
By: Ross, Sinclaire & Associates, Inc.,
as Program Administrator

By:

Title:

CONSUMERS WATER DISTRICT,
as Lessee

By:

Title:

Chairman

EXHIBIT I

**FORM OF CONTINUING DISCLOSURE AGREEMENT
KENTUCKY AREA DEVELOPMENT DISTRICTS FINANCING TRUST**

LESSEE: Consumers Water District

DATE OF AGREEMENT: November __, 2002

This Continuing Disclosure Agreement relates to a Lease Agreement between the Lessee and the Kentucky Area Development Districts Financing Trust dated the date of this Continuing Disclosure Agreement.

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of the date shown on the cover page hereto between the LESSEE shown on the cover page hereto (the "Lessee") and Ross, Sinclair & Associates, Inc., as disclosure agent (the "Disclosure Agent").

RECITALS

WHEREAS, the Lessee has entered into a Lease (the "Lease") dated the date hereof with respect to which certificates of participation will be issued under the Indenture, as defined in the Lease, and offered and sold pursuant to an offering memorandum containing information regarding the Lessee (the "Offering Document"); and

WHEREAS, the Disclosure Agent and the Lessee, wish to provide for the disclosure of certain information concerning the Lease and the Certificates and other matters on an ongoing basis as set forth herein for the benefit of Holders of Certificates in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Lease, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Scope of this Agreement.

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Lease, as amended and supplemented from time to time. Any such successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared for the Lessee which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles, provided, however, that the Lessee may change the accounting principles used for preparation of such financial information so long as the Lessee includes as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

"Holders of Certificates" shall mean any holder of the Certificates and any Beneficial Owner thereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Material Event" shall, to the extent the Lessee obtains knowledge and determines that it would constitute material information for Holders of Certificates, (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the security; (vii) modifications to rights of security holders; (viii) certificate calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event; (ix) defeasances; (x) release, substitution or sale of property securing repayment of the securities; (xi) rating changes; (xii) the cure, in the manner provided under the Lease, of any payment or nonpayment related default under the Lease; and (xiii) the issuance of any additional Certificates or other indebtedness on a parity with the Certificates; provided, that the occurrence of an event described in clauses

(i), (iii), (iv), (v), (viii), (ix) and (xi) shall always be deemed to be material. The SEC requires the listing of (i) through (xi) although some of such events may not be applicable to the Certificates.

"NRMSIR" shall mean any nationally recognized municipal securities information repository, as such term is used in the Release.

"Operating Data" shall mean an update of the Operating Data contained in the Offering Document.

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

"Release" shall mean Securities and Exchange Commission Release No. 34-34961.

"SEC" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository ("SID"), as such term is used in the Release, if and when a SID is created for the State.

"State" shall mean the Commonwealth of Kentucky.

"Turn Around Period" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Lessee to the Disclosure Agent; (ii) two (2) business days with respect to Material Event occurrences disclosed by the Lessee to the Disclosure Agent; or (iii) two (2) business days with respect to the failure, on the part of the Lessee, to deliver Annual Financial Information and Operating Data to the Disclosure Agent which period commences upon notification by the Lessee of such failure, or upon the Disclosure Agent's actual knowledge of such failure.

(B) - This Agreement applies to the Certificates and the Lease.

(C) The Disclosure Agent shall have no obligation to make disclosure about the Certificates or the Lease except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Disclosure Agent, as Program Administrator, under the Indenture. The fact that the Disclosure Agent or any affiliate thereof may have any fiduciary or banking relationship with the Lessee, apart from the relationship created hereby, shall not be construed to mean that the Disclosure Agent has actual knowledge of any event or condition except in its capacity as Program Administrator under the Indenture or except as may be provided by written notice from the Lessee.

Section 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Lessee's direction to the Disclosure Agent, with respect to information to be made public. In its actions under this Agreement, the Disclosure Agent is acting not as Program Administrator but as the Lessee's agent; provided that the Disclosure Agent shall be entitled to the same protection in so acting under this Agreement as it has in acting as Program Administrator under the Indenture.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 3 hereof, the Lessee shall make or cause to be made public the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 300 days after the in of Lessees current fiscal year and continuing with each fiscal year thereafter, for which the information is provided, taking into account the Turn Around Period, and, in addition, all information with respect to the Certificates required to be disseminated by the Trustee pursuant to the Indenture.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(3) Failure to Provide Annual Financial Information. Notice of the failure of Lessee to provide the Annual Financial Information and Operating Data by the date required herein.

(C) Information Provided by Disclosure Agent to Public.

(1) The Lessee directs the Disclosure Agent on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Agent agrees to act as the Lessee's agent in so making public, the following:

- (a) the Annual Financial Information and Operating Data;
- (b) Material Event occurrences;
- (c) the notices of failure to provide information which the Lessee has agreed to make public pursuant to subsection (B)(3) of this Section 2;
- (d) such other information as the Lessee shall determine to make public through the Disclosure Agent and shall provide to the Disclosure Agent in the form required by subsection (C)(2) of this Section 2. If the Lessee chooses to include any information in any Annual Financial Information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Agreement, the Lessee shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information report or notice of occurrence of a Material Event; and

(2) The information which the Lessee has agreed to make public shall be in the following form:

- (a) as to all notices, reports and financial statements to be provided to the Disclosure Agent as Program Administrator by the Lessee, in the form required by the Lease or other applicable document or agreement; and
- (b) as to all other notices or reports, in such form as the Disclosure Agent shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Agent shall make public the Annual Financial Information, the Operating Data, the Material Event occurrences and the failure to provide the Annual Financial Information and Operating Data within the applicable Turn Around Period. Notwithstanding the foregoing, Annual Financial Information, Operating Data and Material Events shall be made public on the same day as notice thereof is given to the Holders of Certificates of outstanding Certificates, if required in the Indenture, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Lessee to the Disclosure Agent has not been provided on a timely basis, the Disclosure Agent shall make such information public as soon thereafter as it is provided to the Disclosure Agent.

(D) Means of Making Information Public.

(i) Information shall be deemed to be made public by the Lessee or the Disclosure Agent under this Agreement if it is transmitted as provided in subsection (D)(2) of this Section 2 by the following means:

- (a) to the Holders of Certificates of outstanding Certificates, by the method prescribed by the Indenture;
- (b) to each NRMSIR, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Lessee or the Disclosure Agent is authorized to transmit information to a NRMSIR by whatever means are mutually acceptable to the Disclosure Agent or the Lessee, as applicable, and the NRMSIR;

(c) to the SID (if a SID is established for the State), by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Lessee or the Disclosure Agent is authorized to transmit information to a SID by whatever means are mutually acceptable to the Disclosure Agent or the Lessee, as applicable, and the SID;

(d) to the MSRB, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Lessee or the Disclosure Agent is authorized to transmit information to a MSRB by whatever means are mutually acceptable to the Disclosure Agent or the Lessee, as applicable, and the MSRB; and/or

(c) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Lessee or the Disclosure Agent is authorized to transmit information to a SEC by whatever means are mutually acceptable to the Disclosure Agent or the Lessee, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Annual Financial Information and Operating Data shall be made available to each NRMSIR and to the SID (if a SID is established for the State);

(b) notice of all Material Event occurrences and all notices of the failure to provide Annual Financial Information or Operating Data within the time specified in Section 2(B)(1) hereof shall be made available to each NRMSIR or the MSRB and to the SID (if a SID is established for the State); and

(c) all information described in clauses (a) and (b) shall be made available to any Certificateholder upon request, but need not be transmitted to the Holders of Certificates who do not so request.

(d) to the extent any Annual Financial Information or Operating Data is included in a document filed with each NRMSIR and SID (if a SID is established for the State) or the SEC, the Lessee shall have been deemed to have provided that information if a statement specifically referencing the filed document is filed with each NRMSIR and SID (if a SID is established for the State) as part of the Lessee's obligation to file Annual Financial Information and Operating Data pursuant to this Agreement. Additionally, if the referenced document is a final official statement (as that term is defined in Rule 15c2-12(f)(3)), it must be available from the MSRB.

With respect to requests for periodic or occurrence information from Holders of Certificates, the Disclosure Agent may require payment by requesting of holders a reasonable charge for duplication and transmission of the information and for the Disclosure Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Disclosure Agent to interpret or provide an opinion concerning the information made public. If the Disclosure Agent receives a request for an interpretation or opinion, the Disclosure Agent may refer such request to the Lessee for response.

(E) Disclosure Agent Compensation. The Lessee shall pay or reimburse the Disclosure Agent for its fees and expenses for the Disclosure Agent's services rendered in accordance with this Agreement as provided in the Lease.

(F) Indemnification of Disclosure Agent. The Lessee shall indemnify and hold harmless the Disclosure Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Disclosure Agent's performance under this Agreement; provided that the Lessee shall not be required to indemnify the Disclosure Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Disclosure Agent in such disclosure of information hereunder. The obligations of the

Lessee under this Section shall survive resignation or removal of the Disclosure Agent and payment of the Certificates.

Section 3. Amendment or Waiver. Notwithstanding any other provision of this Agreement, the Lessee and the Disclosure Agent may amend this Agreement (and the Disclosure Agent shall agree to any reasonable amendment requested by the Lessee) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel or counsel expert in federal securities laws acceptable to both the Lessee and the Disclosure Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

Section 4. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Certificates.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Certificates shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Termination. This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this Agreement is not effective until (i) the Lessee, or its successor, enters into a new continuing disclosure agreement with a disclosure agent who agrees to continue to provide, to each NRMSIR, SID and/or MSRB and the Holders of Certificates of the Certificates, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws and (iii) notice of the termination of this Agreement is provided to each NRMSIR, the appropriate SID, if any, and/or MSRB.

This Agreement shall terminate when all of the Certificates are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

(F) Defaults: Remedies. A party shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the request of the Participating Underwriter or

the holders of at least 25% aggregate principal amount of Outstanding Certificates, the non-defaulting party shall), enforce the obligations of the defaulting party under this Agreement; provided, however, the sole remedy available in any proceeding to enforce this Agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

(G) Beneficiaries. This Agreement is entered into by the parties hereof and shall inure solely to the benefit of the Lessee, the Trustee, the Disclosure Agent, the Participating Underwriter and Holders of Certificates, and shall create no rights in any other person or entity.

Section 5. Additional Disclosure Obligations. The Lessee acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Lessee, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Lessee under such laws.

Section 6. Notices. Notices shall be provided in the manner set forth in the Lease.

IN WITNESS WHEREOF, the Disclosure Agent and the Lessee have each caused their duly authorized officers to execute this Agreement, as of the day and year first above written.

**KENTUCKY AREA DEVELOPMENT DISTRICTS
FINANCING TRUST, as Disclosure Agent**

By:

Title:

**CONSUMERS WATER DISTRICT,
as Lessee**

By:

Title:

Chairman

EXHIBIT J
IRS FORM 8038G

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