RECEIVED
APR 19 2019
PUBLIC SERVICE COMMISSION

SOUTHERN WATER & SEWER DISTRICT
P.O. Box 610
245 KY Rt. 680
McDowell, KY 41647
Ph. (606) 377-9296 Fax. (606) 377-9286

April 18, 2019

Ms Gwen R. Pinson
Executive Director
Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

RE: ARF Application - Retail & Wholesale Water Rates

Dear Ms. Pinson:

Enclosed for filing are the original and five (5) copies of Southern Water & Sewer District's ARF Application for an adjustment to its water rates and charges. The ARF Application is being filed pursuant to 807 KAR 5:076. This application uses calendar year 2018 as the test year with appropriate adjustments to normalize revenues and expenses.

We respectfully request an expedited rate review. Because of the District's dire financial situation, we further request an emergency rate increase be approved while the Commission completes its review of the application.

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

My electronic mail address is jprater@bigsandyrecc.com.

Sincerely,

Jeff Prater

Jeff Prater, Chairman

Enclosures
cc: Office of the Attorney General, Rate Intervention

Equal Opportunity Employer
& Provider

ARF FORM-1 July 2014

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

RECEIVED
APR 19 2019
PUBLIC SERVICE COMMISSION

APPLICATION FOR RATE ADJUSTMENT BEFORE THE PUBLIC SERVICE COMMISSION

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

Southern Water and Sewer District
(Name of Utility)

P.O. Box 610
(Business Mailing Address - Number and Street, or P.O. Box)

McDowell, KY 41647
(Business Mailing Address - City, State, and Zip)

606-377-9296
(Telephone Number)

BASIC INFORMATION

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

Jeff Prater, Chairman
(Name)

P.O. Box 610
(Address - Number and Street or P.O. Box)

McDowell, KY 41647
(Address - City, State, Zip)

606-377-9296
(Telephone Number)

jprater@bigsandyrecc.com
(Email Address)

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

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

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

		YES	NO	N/A
8.	Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**	☒	☐	
9.	Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2018.	☒	☐	
10.	Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**	☒	☐	
11.	Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of $ 942,589 and total revenues from service rates of $ 3,861,783. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**	☒	☐	
12.	As of the **date of the filing of this application**, Applicant had 5,452 +/- customers.	☒	☐	
13.	A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**	☒	☐	
14.	Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**	☒	☐	
15. a.	Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.	☒	☐	
b.	Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).	☒	☐	☐
c.	Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.	☒	☐	☐

		YES	NO	N/A
16. a.	Applicant is not required to file state and federal tax returns.	☒	☐	
b.	Applicant is required to file state and federal tax returns.	☐	☒	
c.	Applicant's most recent state and federal tax returns are attached to this Application. **(Attach a copy of returns.)**	☐	☐	☒
17.	Approximately -0- **(Insert dollar amount or percentage of total utility plant)** of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions.	☐	☒	
18.	Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form.	☒	☐	

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

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

Signed Jeff Prater
Officer of the Company/Authorized Representative

Title Chairman

Date April 16, 2019

COMMONWEALTH OF KENTUCKY

COUNTY OF FLOYD

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

Lisa L Arms
Notary Public

My commission expires: April 5, 2020

LIST OF ATTACHMENTS
Southern Water and Sewer District

1. Customer Notice of Proposed Rate Adjustments
2. Wholesale Customer Notice
3. Reasons for Application
4. Current and Proposed Rates
5. Statement of Adjusted Operations and Revenue Requirements with the following attachments:
    a. References
    b. Table A - Depreciation Expense Adjustments
    c. Table B - Debt Service Schedule
6. Current Billing Analysis
7. Proposed Billing Analysis
8. Depreciation Schedule
9. Outstanding Debt Instruments
    a. Bank Loans
    b. USDA Bonds
    c. KIA Loans
10. Amortization Schedules
11. Statements of Disclosure of Related Party Transactions
12. Board Resolution

Attachment 1

CUSTOMER NOTICE

Notice is hereby given that the Southern Water & Sewer District expects to file an application on or about April 18, 2019 with the Kentucky Public Service Commission seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

MONTHLY WATER RATES

	Charge per 1,000 Gals.		Dollar	Percent
	Current	Proposed	Increase	Increase
RETAIL RATES:				
No. of Gallons per Month:				
First 2,000 Gals. (Minimum Bill)	$25.20	$33.34	$8.14	32.3%
Over 2,000 Gallons	8.70	11.51	2.81	32.3%
Wholesale Rates:				
City of Hindman	3.04	4.02	$0.98	32.2%
Knott County Water District	3.10	4.10	1.00	32.3%
City of Wheelwright	3.02	4.00	0.98	32.5%

If the Public Service Commission approves the proposed water rates, then the monthly bill for a retail customer using an average of 4,000 gallons per month will increase from $42.60 to $56.36. This is an increase of $13.76 or 32.3%.

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

Southern Water & Sewer District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at Southern Water & Sewer District's office located at 6245 KY Route 680, McDowell, KY 41647. You may contact the office at 606-377-9296.

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

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

Attachment 2

WHOLESALE CUSTOMER NOTICE

Notice is hereby given that the Southern Water & Sewer District expects to file an application on or about April 18, 2019 with the Kentucky Public Service Commission seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

MONTHLY WATER RATES

	Charge per 1,000 Gals.		Dollar	Percent
	Current	Proposed	Increase	Increase
RETAIL RATES:				
No. of Gallons per Month:				
First 2,000 Gals. (Minimum Bill)	$25.20	$33.34	$8.14	32.3%
Over 2,000 Gallons	8.70	11.51	2.81	32.3%
Wholesale Rates:				
City of Hindman	3.04	4.02	$0.98	32.2%
Knott County Water District	3.10	4.10	1.00	32.3%
City of Wheelwright	3.02	4.00	0.98	32.5%

If the Public Service Commission approves the proposed water rates, then the monthly bill for City of Hindman, using an average of about 1,330,000 gallons per month will increase from $4,043 to $5,346. This is an increase of $1,303 or 32.2%. The monthly bill for the Knott Co. Water District, using an average of about 40,000 gallons per month will increase from $124 to $164. This is an increase of $40 or 32.3%. The monthly bill for the City of Wheelwright, will increase from $302 to $400 for each 100,000 gallons purchased. This is an increase of $98 or 32.5%.

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

Southern Water & Sewer District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at Southern Water & Sewer District's office located at 6245 KY Route 680, McDowell, KY 41647. You may contact the office at 606-377-9296.

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Attachment 3

Reasons for Rate Increase

Southern Water & Sewer District (the "District") is requesting a 32.3% rate increase for its retail & wholesale water customers. The water rate increase will generate an approximate total of $942,600 in additional annual revenue.

The District needs this rate increase for the following reasons:

1. To enable the District to pay its annual principal payments on its existing long term debt from water revenue rather than from depreciation reserves;

2. To provide sufficient revenue so the District can perform long-deferred maintenance and replacement work to reduce excessive water loss;

3. To enable the District to meet the requirements set forth in its existing debt instruments;

4. To restore the District to a sound financial condition by charging rates that recover its cost of providing service; and

5. To enable the District to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.

Attachment 4

CURRENT AND PROPOSED RATES
Southern Water & Sewer District

Current Rates

	Charge per 1,000 gals.
Retail Rates	
All Meter Sizes	
First 2,000 Gallons (Minimum Bill)	$ 25.20
Over 2,000 Gallons	8.70
Wholesale Rates	
City of Hindman	3.04
Knott County Water District	3.10
City of Wheelwright	3.02

Proposed Rates

	Charge per 1,000 gals.
Retail Rates	
All Meter Sizes	
First 2,000 Gallons (Minimum Bill)	$ 33.34
Over 2,000 Gallons	11.51
Wholesale Rates	
City of Hindman	4.02
Knott County Water District	4.10
City of Wheelwright	4.00

Attachment 5

SCHEDULE OF ADJUSTED OPERATIONS
Southern Water & Sewer District

	Test Year	Adjustments	Ref.	Proforma
Operating Revenues				
Total Metered Water Sales	$ 2,790,704	$ 78,597	a.	$ 2,869,301
Sales for Resale	44,972	4,921	b.	49,893
Forfeited Discounts	56,765			56,765
Miscellaneous Service Revenues	13,990	$ (8,509)	c.	5,481
Total Operating Revenues	$ 2,906,431			$ 2,981,440
Operating Expenses				
Operation and Maintenance				
Salaries and Wages - Employees	850,941	(11,374)	d.	839,567
Salaries and Wages - Officers	24,000			24,000
Employee Pensions and Benefits	283,910			283,910
Purchased Water	352,353	103,926	e.	
		(216,810)	f.	239,469
Purchased Power	394,952	(187,670)	f.	207,282
Chemicals	146,872	(69,789)	f.	77,083
Materials and Supplies	330,636	(26,538)	d.	304,098
Contractual Services	95,668			95,668
Transportation Expenses	117,885			117,885
Insurance - General Liability & Other	124,225			124,225
Insurance - Workers Comp	14,853			14,853
Advertising Expenses	2,109			2,109
Bad Debt	22,171			22,171
Miscellaneous Expenses	57,547			57,547
Total Operation and Mnt. Expenses	2,818,122			2,409,867
Depreciation Expense	889,838	4,380	g.	894,218
Amortization Expense	2,460			
Taxes Other Than Income	79,119	(870)	d.	78,249
Total Operating Expenses	$ 3,789,539			$ 3,382,334
Net Operating Income	$ (883,108)			$ (400,894)

REVENUE REQUIREMENTS

Pro Forma Operating Expenses				$ 3,382,334
Plus:	Avg. Principal and Interest Payments		h.	476,489
	Additional Working Capital		i.	95,298
Total Revenue Requirement				3,954,121
Less:	Other Operating Revenue			62,246
	Gains from Disposition of Property	19,300	(19,300) j.	0
	Interest Income	4,001		4,001
	Nonutility Income	26,091		26,091
Revenue Required Sales of Water				3,861,783
Less:	Revenue from Sales at Present Rates			2,919,194
Required Revenue Increase				$ 942,589
Percent Increase				32.3%

Attachment 5a

REFERENCES

a. The Current Billing Analysis results in a total retail sales amount of $2,869,301. This indicates an adjustment to retail sales of $78,597 is required. This adjustment reflects a full year of billings at the new rate schedule applied for in March 2019. That application was a Purchased Water Adjustment (Case No. 2019-00079) due to an increased wholesale rate from the City of Pikeville.

b. Based on the gallons sold to the District's wholesale customers in the test year, the PWA described above will result in increased Sales for Resale revenues of $4,921. It should be noted that the City of Wheelwright purchased water from the District in January 2018. This revenue was not included in the Annual Report for the test year and because Wheelwright purchases water rarely (e.g., in an emergency) an adjustment is not made to add that revenue.

c. The figure reported for Misc. Service Revenue includes $8,509 for meter deposits and tap fees. Those payments are not operating revenue items and are deducted.

d. During the test year labor and materials for forty-five 5/8-inch and one 2-inch meter installations were charged to operating expenses. Thirty percent of the tap fees for these meters is deducted from Salaries and Wages and 70 percent is deducted from Materials and Supplies. FICA taxes related to this labor expense are deducted from the Taxes Other Than Income expenses. The total for all tap fees is added in the Depreciation Expense Adjustments - Table A.

e. Based on the gallons purchased by the District in the test year and applying the wholesale rates now being paid by the District to its suppliers, an adjustment to Purchased Water Expense in the amount of $103,926 is required.

f. The District's test year water loss was 62.52 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water, Power and Chemicals related to water produced, purchased, and pumped above the 15 percent limit must be deducted.

g. It is the PSC's practice to require an adjustment to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Utilities". Therefore, an adjustment is included to bring asset lives to or near the midpoint of the recommended ranges. Also, the asset lives approved specifically for the District by the PSC in Case No. 2012-00309 were used. In a few cases adjustments may deviate from NARUC ranges to recognize the specific work performed instead of a broad category. See Table A.

h. The annual debt service payments for the District's bonds and loans are shown in Table B. The bonds and loans shown are only those remaining after the anticipated agreement with Prestonsburg is finalized. The bank loans were used for capital expenditures (trucks and an excavator), so these are also included. The 5 year average of these payments is added in the revenue requirement calculation.

i. The amount shown in Table B for coverage on long term debt is required by the bond resolutions. This is included in the Revenue Requirement as Additional Working Capital.

j. The revenue included as Gains from the Disposition of Property was an insurance settlement that was paid in the test year. Since this is not a routine item, it is deducted.

Attachment 5b

Table A
DEPRECIATION EXPENSE ADJUSTMENTS

Assets		Date in	Original	Reported		Proforma		Depreciation Expense
No.	Description	Service	Cost	Life	Depr. Exp.	Life	Depr. Exp.	Adjustment
BEWD SCHEDULE								
303-2 LAND								
187	2001 CIP Right of Way	various	83,095	20	181	20.0	181	-
304-2 STRUCTURES								
10	Sturctures	06/01/74	364,109	45	8,091	37.5	9,710	1,619
128	1994 Plant Expansion	10/01/94	2,893,361	45	64,297	35.0	82,667	18,371
155	Tank Repairs	06/30/98	995	45	22	37.5	27	4
156	Telementry systems	06/30/98	4,380	45	97	10.0	438	341
157	Tank repairs	06/30/98	36,500	40	913	37.5	973	61
171	1999 CIP Tanks	01/01/99	778,722	40	19,468	45.0	17,305	(2,163)
181	Telemetry 2000 CIP	06/30/00	26,403	45	587	10.0	2,640	2,054
189	2001 CIP - Tanks & Install	06/30/01	1,185,270	45	26,339	45.0	26,339	-
192	2001 CIP - Telemetry	06/30/01	37,351	45	830	10.0	3,735	2,905
199	Rock Fork Tank	06/30/03	175,700	45	3,904	45.0	3,904	-
201	Spurlock Tank	06/30/03	166,000	40	4,150	45.0	3,689	(461)
216	2004 CIP Tanks (RD)	06/30/04	1,292,040	45	28,712	45.0	28,712	-
235	Office Building	05/31/07	167,940	50	3,359	37.5	4,478	1,120
244	2007 CIP Telemetry	06/30/17	10,450	45	232	10.0	1,045	813
248	2007 CIP Tank	06/30/07	99,659	45	2,215	45.0	2,215	-
273	Security System	09/30/10	5,012	50	100	10.0	501	401
274	Roof	10/26/10	13,500	50	270	20.0	675	405
275	Price Tank	11/04/10	413,530	50	8,271	45.0	9,190	919
294	John Hall Branch Tank Repair	10/20/12	47,000	45	1,044	37.5	1,253	209
306	2013 Building Improvements	07/31/13	10,500	50	210	37.5	280	70
358	2017 Melvin Tank Repairs	08/01/17	16,246	50	325	37.5	433	108
363	Ligon Tank	03/05/18	343,599	50	5,686	45.0	7,636	1,950
304-5 FURNITURE								
365	Phone System	01/09/18	2,095	7	293	10.0	210	(83)
305-2 RESERVES								
5	Reserves	06/01/74	11,996	50	240	50.0	240	-
306-2 LAKE								
6	Lake, River	09/01/74	147,466	50	2,949	62.5	2,359	(590)
310-2 LINE REPAIR								
61	Electrical Line Repair	10/31/86	4,373	50	87	50	87	-
311-2 PUMP EQUIPMENT								
	Entire Group	various	2,415,346	20	104,966	20	104,966	-
320-3 WATER TREATMENT EQUIPMENT								
	Entire Group	various	811,418	35	23,183	27.5	29,506	6,323
330-4 RESERVOIRS								
17	Distribution reservoirs	06/01/74	178,942	50	3,579	45.0	3,976	398
331-4 TRANS. & DIST. MAINS								
	Entire Group	various	21,640,917	varies	449,918	50.0	432,818	(17,100)
333-4 SERVICES								
	Entire Group	various	464,253	50	9,285	40.0	11,606	2,321

Assets		Date in	Original	Reported		Proforma		Depreciation Expense
No.	Description	Service	Cost	Life	Depr. Exp.	Life	Depr. Exp.	Adjustment
334-4 METERS								
	Entire Group	various	511,926	40	8,293	40.0	8,293	-
335-4 HYDRANTS								
	Entire Group	various	255,440	50	5,129	40.0	5,129	-
340-5 OFFICE EQUIPMENT								
	Computer Equip. and Software	various	57,359	varies	8,602	10.0	5,736	(2,866)
341-5 VEHICLES								
	Entire Group	various	407,379	5	70,669	7.0	58,197	(12,472)
345-5 POWER EQUIPMENT								
	Entire Group	various	60,604	varies	9,686	12.5	4,848	(4,838)
347-5 EQUIPMENT								
367	Equipment	04/04/18	1,400	7	149	7	200	51
	TOTALS				**$ 876,331**		**$ 876,199**	**$ (132)**
MUD SCHEDULE								
311 PUMP EQUIPMENT								
	Entire Group	various	98,716	50	1,974	20	4,936	2,962
330 DISTRIBUTION RESERVOIRS								
	Entire Group	various	50,046	45	1,112	45.0	1,112	-
331-4 TRANS. & DIST. MAINS								
	Entire Group	various	231,810	50	4,636	50.0	4,636	-
333 SERVICES								
	Entire Group	various	120,550	50	2,411	40.0	3,014	603
334-4 METERS								
	Entire Group	various	207,267	40	3,373	40.0	3,373	-
	TOTALS				**$ 13,506**		**$ 17,071**	**$ 3,565**
2018 ADDITIONS								
	Meters and Services	various	37,912		-	40.0	948	948
	GRAND TOTALS				**$ 889,837**		**$ 894,217**	**$ 4,380**

Attachment 5c

Table B

DEBT SERVICE SCHDULE

Southern Water & Sewer District

CY 2019 - 2023

	2019			2020			2021			2022			2023			
	Principal	Interest	Fees	Principal	Interest	Fees	Principal	Interest	Fees	Principal	Interest	Fees	Principal	Interest	Fees	TOTALS
First Guaranty Bank	4,238	104														4,342
Citizens Bank (2015)	5,567	70														5,637
Citizens Bank (2017)	19,699	4,175		20,567	3,307		21,474	2,400		22,421	1,454		21,419	466		117,382
2002 Bonds - USDA	49,000	90,855		51,000	88,650		53,000	86,354		55,000	83,970		58,000	81,495		697,324
2005 Bonds - USDA	4,000	7,948		4,500	7,778		4,500	7,586		4,500	7,395		5,000	7,204		60,410
2009 Bonds - USDA	10,000	10,418		10,000	10,193		10,500	9,962		10,500	9,726		11,000	9,484		101,781
2015 Bonds - USDA	25,000	38,554		25,500	37,986		26,500	37,401		27,500	36,793		28,000	36,169		319,402
KIA Loan B293-01	58,325	10,890	726	60,088	9,128	609	61,905	7,311	487	63,776	5,440	363	65,703	3,513	234	348,498
KIA Loan B295-01	110,816	32,980	2,199	114,165	29,630	1,974	117,616	26,180	1,745	121,171	22,625	1,508	124,833	18,962	1,264	727,669
TOTALS	**286,646**	**195,993**	**2,925**	**285,821**	**186,670**	**2,583**	**295,494**	**177,194**	**2,233**	**304,867**	**167,403**	**1,871**	**313,956**	**157,292**	**1,498**	**2,382,445**

TOTAL AVERAGE ANNUAL PRINCIPAL AND INTEREST	**476,489**
COVERAGE ON LONG TERM DEBT	**95,298**

Attachment 6

BILLING ANALYSIS WITH 2018 USAGE & EXISTING RATES
Southern Water & Sewer District

SUMMARY

Total from Analysis	$	2,988,622
Less Billing Adjustments		(119,321)
Total Retail Sales Revenue	$	2,869,301

All Meters

	USAGE	BILLS	GALLONS	FIRST 2,000	ALL OVER 2,000	TOTAL
FIRST	2,000	32,128	34,897,000	34,897,000	-	34,897,000
ALL OVER	2,000	33,298	220,606,000	66,596,000	154,010,000	220,606,000
		65,426	255,503,000	101,493,000	154,010,000	255,503,000

REVENUE BY RATE INCREMENT

		BILLS	GALLONS		RATE		REVENUE
FIRST	2,000	65,426	101,493,000	$	25.20	$	1,648,735.20
ALL OVER	2,000		154,010,000		8.70		1,339,887.00
TOTAL		65,426	255,503,000			$	2,988,622.20

Attachment 7

BILLING ANALYSIS WITH 2018 USAGE & PROPOSED RATES
Southern Water & Sewer District

SUMMARY

Total from Analysis	$	3,953,958
Less Billing Adjustments		(157,862)
Total Retail Sales Revenue	$	3,796,096

All Meters

	USAGE	BILLS	GALLONS	FIRST 2,000	ALL OVER 2,000	TOTAL
FIRST	2,000	32,128	34,897,000	34,897,000	-	34,897,000
ALL OVER	2,000	33,298	220,606,000	66,596,000	154,010,000	220,606,000
		65,426	255,503,000	101,493,000	154,010,000	255,503,000

REVENUE BY RATE INCREMENT

		BILLS	GALLONS		RATE		REVENUE
FIRST	2,000	65,426	101,493,000	$	33.34	$	2,181,302.84
ALL OVER	2,000		154,010,000		11.51		1,772,655.10
TOTAL		65,426	255,503,000			$	3,953,957.94

Attachment 8

Book Basis

Southern Water and Sewer (BEWD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

03/12/19
06:46PM

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
301-1 ORG. (301-1)									
1	ORGANIZATION	01/01/01	LAND	05/00	N	2,450.00	0.00	0.00	0.00
	Total for (ORG. (301-1))					2,450.00	0.00	0.00	0.00
302-1 FRAN (302-1)									
2	FRANCHISE	01/01/01	LAND	05/00	N	1,250.00	0.00	0.00	0.00
	Total for (FRAN (302-1))					1,250.00	0.00	0.00	0.00
303-2 LAND (303-2)									
3	INT. PLANT	01/01/01	LAND	05/00	N	750.00	0.00	0.00	0.00
4	LAND	01/01/01	LAND	05/00	N	5,800.00	0.00	0.00	0.00
7	LAND	01/01/01	LAND	05/00	N	2,500.00	0.00	0.00	0.00
123	RIGHT OF WAY	08/10/93	LAND	05/00	N	10,500.00	0.00	0.00	0.00
127	EASEMENT CIP	10/01/94	LAND	05/00	N	4,088.75	0.00	0.00	0.00
182	RIGHT OF WAY	06/30/00	LAND	00/00	N	17,600.00	0.00	0.00	0.00
187	2001 CIP RIGHT OF WAY	06/30/01	ST LINE	20/00	N	3,618.34	2,986.42	180.92	3,167.34
222	LAND	01/01/05	LAND	00/00	N	5,000.00	0.00	0.00	0.00
246	2007 CIP LAND	06/30/07	LAND	00/00	N	20,500.00	0.00	0.00	0.00
263	EASEMENTS	05/24/09	LAND	00/00	N	2,500.00	0.00	0.00	0.00
267	EASEMENT	06/24/09	LAND	00/00	N	2,500.00	0.00	0.00	0.00
281	LAND - PRICE TANK	11/04/10	LAND	00/00	N	6,310.60	0.00	0.00	0.00
344	EASEMENT	04/17/17	LAND	00/00	N	671.10	0.00	0.00	0.00
345	EASEMENT	04/17/17	LAND	00/00	N	756.45	0.00	0.00	0.00
	Total for (LAND (303-2))					83,095.24	2,986.42	180.92	3,167.34
303-3 LAND (303-3)									
9	LAND	01/01/01	LAND	05/00	N	25,600.00	0.00	0.00	0.00
	Total for (LAND (303-3))					25,600.00	0.00	0.00	0.00
303-4 LAND (303-4)									
16	LAND	01/01/01	LAND	05/00	N	28,675.00	0.00	0.00	0.00
170	1999 CIP PHASE III LAND	01/01/99	LAND	00/00	N	15,000.00	0.00	0.00	0.00
176	LAND CIP 2000	06/30/00	LAND	00/00	N	5,000.00	0.00	0.00	0.00
211	2004 CIP LAND RD	06/30/04	LAND	00/00	N	33,533.00	0.00	0.00	0.00
366	RIGHT OF WAY	05/25/18	LAND	00/00	N	2,029.20	0.00	0.00	0.00
	Total for (LAND (303-4))					84,237.20	0.00	0.00	0.00
303-5 LAND (303-5)									
40	LAND	01/01/01	LAND	05/00	N	500.00	0.00	0.00	0.00
	Total for (LAND (303-5))					500.00	0.00	0.00	0.00
304-2 STRUC (304-2)									
10	STRUCTURES	06/01/74	ST LINE	45/00	N	364,109.00	321,083.15	8,091.31	329,174.46
128	1994 PLANT EXPANSION	10/01/94	ST LINE	45/00	N	2,893,360.54	1,377,679.94	64,296.89	1,441,976.83
155	TANK REPAIRS	06/30/98	ST LINE	45/00	N	995.00	832.27	22.11	854.38
156	TELEMETRY SYSTEMS	06/30/98	ST LINE	45/00	N	4,380.00	3,663.65	97.33	3,760.98
157	TANK REPAIRS	06/30/98	ST LINE	40/00	N	36,500.00	31,037.50	912.50	31,950.00
171	1999 CIP TANKS	01/01/99	ST LINE	40/00	N	778,722.14	642,445.79	19,468.05	661,913.84
181	TELEMETRY 2000 CIP	06/30/00	ST LINE	45/00	N	26,403.00	19,442.74	586.73	20,029.47
189	2001 CIP - TANKS & INSTALL	06/30/01	ST LINE	45/00	N	1,185,270.04	813,632.82	26,339.33	839,972.15
192	2001 CIP - TELEMETRY	06/30/01	ST LINE	45/00	N	37,350.64	25,639.44	830.01	26,469.45

Southern Water and Sewer (BEWD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
304-2 STRUC (304-2)									
199	ROCK FORK TANK	06/30/03	ST LINE	45/00	N	175,700.00	103,039.87	3,904.44	106,944.31
201	SPURLOCK TANK	06/30/03	ST LINE	40/00	N	166,000.00	99,656.85	4,150.00	103,806.85
216	2004 CIP TANKS (RD)	06/30/04	ST LINE	45/00	N	1,292,039.50	693,029.79	28,711.99	721,741.78
235	OFFICE BUILDING	05/31/07	ST LINE	50/00	N	167,940.00	40,861.25	3,358.80	44,220.05
244	2007 CIP TELEMETRY	06/30/07	ST LINE	45/00	N	10,450.43	4,038.59	232.23	4,270.82
248	2007 CIP TANK	06/30/07	ST LINE	45/00	N	99,659.37	38,513.71	2,214.65	40,728.36
273	SECURITY SYSTEM	09/30/10	ST LINE	50/00	N	5,012.00	1,631.30	100.24	1,731.54
274	ROOF	10/26/10	ST LINE	50/00	N	13,500.00	2,105.84	270.00	2,375.84
275	PRICE TANK	11/04/10	ST LINE	50/00	N	413,529.75	85,991.51	8,270.59	94,262.10
294	JOHN HALL BRANCH TANK REP/	10/02/12	ST LINE	45/00	N	47,000.00	5,806.49	1,044.44	6,850.93
306	2013 BUILDING IMPROVEMENTS	07/31/13	ST LINE	50/00	N	10,500.00	928.60	210.00	1,138.60
358	2017 MELVIN TANK REPAIRS	08/01/17	ST LINE	50/00	N	16,245.89	136.20	324.92	461.12
363	LIGON TANK	03/05/18	ST LINE	50/00	N	343,599.09	0.00	5,685.86	5,685.86
	Total for (STRUC (304-2))					8,088,266.39	4,311,197.30	179,122.42	4,490,319.72
304-5 FURN (304-5)									
41	OFFICE FURNITURE	01/01/01	ST LINE	05/00	N	246.00	246.00	0.00	246.00
46	OFFICE FURNITURE	01/01/80	ST LINE	10/00	N	283.00	283.00	0.00	283.00
47	COPIER	01/01/80	ST LINE	05/00	N	2,695.00	2,695.00	0.00	2,695.00
50	SAFE	01/01/84	ST LINE	10/00	N	750.00	750.00	0.00	750.00
88	FILING CABINET	02/03/89	ST LINE	07/00	N	585.00	585.00	0.00	585.00
111	COMPUTER	12/18/91	ST LINE	05/00	N	7,000.00	7,000.00	0.00	7,000.00
139	COMPUTER SYSTEM AND SETU	08/01/96	ST LINE	07/00	N	10,000.00	10,000.00	0.00	10,000.00
237	AIR CONDITIONER	06/30/07	ST LINE	07/00	N	3,690.00	3,690.00	0.00	3,690.00
365	PHONE SYSTEM	01/09/18	ST LINE	07/00	N	2,095.00	0.00	292.73	292.73
	Total for (FURN (304-5))					27,344.00	25,249.00	292.73	25,541.73
305-2 RESERVES (305-2)									
5	RESERVES	06/01/74	ST LINE	50/00	N	11,996.00	10,437.00	239.92	10,676.92
	Total for (RESERVES (305-2))					11,996.00	10,437.00	239.92	10,676.92
306-2 LAKE (306-2)									
6	LAKE, RIVER	09/01/74	ST LINE	50/00	N	147,466.00	127,901.00	2,949.32	130,850.32
	Total for (LAKE (306-2))					147,466.00	127,901.00	2,949.32	130,850.32
310-2 LINE REP (310-2)									
61	ELECTRICAL LINE REPAIR	10/31/86	ST LINE	50/00	N	4,373.00	2,723.50	87.46	2,810.96
	Total for (LINE REP (310-2))					4,373.00	2,723.50	87.46	2,810.96
311-2 PUMP EQ (311-2)									
8	ELECT. PUMP EQUIP	01/01/77	ST LINE	20/00	N	43,777.00	43,777.00	0.00	43,777.00
12	PUMP REPAIRS	01/01/84	ST LINE	20/00	N	7,817.00	7,817.00	0.00	7,817.00
13	PUMP REPAIRS	01/01/84	ST LINE	20/00	N	22,272.00	22,272.00	0.00	22,272.00
14	PUMP REPAIRS	03/01/85	ST LINE	20/00	N	7,200.00	6,988.19	0.00	6,988.19
57	PUMP & REPAIRS	08/15/86	ST LINE	20/00	N	1,542.00	1,542.00	0.00	1,542.00
63	PUMP REPAIRS	03/01/87	ST LINE	20/00	N	23,718.00	23,718.00	0.00	23,718.00
73	PROPELLER PUMP	03/21/88	ST LINE	20/00	N	2,868.00	2,868.00	0.00	2,868.00
71	PUMP REPAIRS	09/06/88	ST LINE	20/00	N	5,140.00	5,140.00	0.00	5,140.00
105	WATER PUMP	09/28/90	ST LINE	20/00	N	1,847.00	1,845.26	0.00	1,845.26

Southern Water and Sewer (BEWD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
311-2 PUMP EQ (311-2)									
101	WATER PUMP	10/05/90	ST LINE	20/00	N	14,293.00	14,293.00	0.00	14,293.00
129	PUMP STATION - CIP	10/01/94	ST LINE	20/00	N	169,946.96	169,946.96	0.00	169,946.96
137	40 HP 30 PHASE MOTOR	02/19/96	ST LINE	20/00	N	2,216.00	2,216.00	0.00	2,216.00
138	COIL INSTALL	02/19/96	ST LINE	20/00	N	605.00	605.00	0.00	605.00
142	PUMP	06/01/96	ST LINE	20/00	N	1,425.00	1,425.00	0.00	1,425.00
150	PUMP	10/27/97	ST LINE	20/00	N	1,448.88	1,448.88	0.00	1,448.88
147	PUMP REPAIRS	12/18/97	ST LINE	20/00	N	9,908.00	9,908.00	0.00	9,908.00
169	1999 CIP PUMPS	01/01/99	ST LINE	20/00	N	297,391.82	282,522.21	14,869.61	297,391.82
173	PUMP STATION CIP 2000	06/30/00	ST LINE	20/00	N	160,237.55	140,251.68	8,011.88	148,263.56
188	2001 CIP - PIPE & PUMP STATIOI	06/30/01	ST LINE	20/00	N	935,974.36	772,499.42	46,798.72	819,298.14
195	2002 CIP PUMP STATION (JOHN'	09/02/02	ST LINE	20/00	N	45,000.00	34,495.89	2,250.00	36,745.89
205	SPURLOCK PUMP STATION	06/30/03	ST LINE	20/00	N	75,000.00	54,400.69	3,750.00	58,150.69
228	2006 CIP PUMP STATION	06/30/06	ST LINE	20/00	N	191,869.85	110,390.85	9,593.49	119,984.34
247	2007 CIP PUMP STATION	06/30/07	ST LINE	20/00	N	59,375.00	31,192.21	2,968.75	34,160.96
278	PUMP STATION (FISHER HOLLO'	11/04/10	ST LINE	20/00	N	176,679.09	63,241.40	8,833.95	72,075.35
279	PUMP STATION (SPEWING CAMI	11/04/10	ST LINE	20/00	N	32,250.95	11,544.09	1,612.55	13,156.64
296	FISHER HOLLOW PUMP STATIOI	11/10/12	ST LINE	20/00	N	45,000.00	11,569.67	2,250.00	13,819.67
302	FISHER BPS	04/01/13	ST LINE	20/00	N	14,400.00	3,422.47	720.00	4,142.47
325	PUMPS	07/15/15	ST LINE	20/00	N	6,016.16	741.72	300.81	1,042.53
316	PUMP	12/02/15	ST LINE	20/00	N	5,250.00	546.58	262.50	809.08
336	RAW WATER PUMP	03/08/16	ST LINE	20/00	N	54,877.00	4,985.41	2,743.85	7,729.26
	Total for (PUMP EQ (311-2))					2,415,345.62	1,837,614.58	104,966.11	1,942,580.69
320-3 WATER EQ (320-3)									
11	WATER TREAT. EQUIP.	06/01/74	ST LINE	35/00	N	114,509.00	114,509.00	0.00	114,509.00
15	PLANT EQUIP.	01/01/84	ST LINE	35/00	N	1,060.00	1,060.00	0.00	1,060.00
172	1999 CIP WATER TREATMENT	01/01/99	ST LINE	35/00	N	97,409.92	82,102.70	2,783.14	84,885.84
191	2001 CIP - EQUIPMENT	06/30/01	ST LINE	35/00	N	230,114.96	165,268.48	6,574.71	171,843.19
224	WATER TREATMENT PLANT	06/30/06	ST LINE	35/00	N	132,825.69	62,188.91	3,795.02	65,983.93
243	2007 CIP TREATMENT PLANT	06/30/07	ST LINE	35/00	N	25,500.00	7,153.47	728.57	7,882.04
328	WATER TREATMENT PLANT	05/08/15	ST LINE	35/00	N	325,567.19	24,669.20	9,301.92	33,971.12
	Total for (WATER EQ (320-3))					926,986.76	456,951.76	23,183.36	480,135.12
330-4 RES. (330-4)									
17	DIST. RESERVOIRS	06/01/74	ST LINE	50/00	N	178,942.00	155,681.00	3,578.84	159,259.84
	Total for (RES. (330-4))					178,942.00	155,681.00	3,578.84	159,259.84
331-4 T & D MAINS (331-4)									
23	T & D MAINS	01/01/73	ST LINE	50/00	N	10,712.00	9,872.00	214.24	10,086.24
18	T & D MAINS	01/01/75	ST LINE	50/00	N	2,019,727.00	1,730,348.50	40,394.54	1,770,743.04
21	T & D MAINS	01/01/82	ST LINE	50/00	N	22,650.00	16,082.00	453.00	16,535.00
53	CONTROL UNIT	01/01/82	ST LINE	50/00	N	1,512.00	1,512.00	0.00	1,512.00
29	SIZEMORE	01/01/83	ST LINE	50/00	N	5,004.00	5,004.00	0.00	5,004.00
26	HITE, SIZEMORE	06/01/83	ST LINE	50/00	N	27,831.00	27,831.00	0.00	27,831.00
35	LINE REPAIRS	01/01/84	ST LINE	50/00	N	1,800.00	1,224.00	36.00	1,260.00
59	MAINS	06/01/86	ST LINE	50/00	N	16,271.00	10,275.50	325.42	10,600.92
64	LINE REPAIRS	07/01/87	ST LINE	50/00	N	4,926.00	4,678.60	98.52	4,777.12

Southern Water and Sewer (BEWD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
331-4 T & D MAINS (331-4)									
69	MAINS	03/01/88	ST LINE	50/00	N	14,828.00	8,849.00	296.56	9,145.56
75	REMOTE CABLE	12/14/88	ST LINE	50/00	N	2,111.00	1,904.50	42.22	1,946.72
81	MAINS	01/23/89	ST LINE	50/00	N	731.00	654.50	14.62	669.12
92	MAINS ADDITIONS 89	07/01/89	ST LINE	50/00	N	19,950.00	17,623.00	399.00	18,022.00
100	1990 MAINS ADDITION	07/01/90	ST LINE	50/00	N	8,182.00	6,954.80	163.64	7,118.44
97	WATER PUMP	07/13/90	ST LINE	20/00	N	18,250.00	18,250.00	0.00	18,250.00
98	WATER PUMP	07/30/90	ST LINE	20/00	N	475.00	475.00	0.00	475.00
99	WATER PUMP	08/06/90	ST LINE	20/00	N	18,250.00	18,250.00	0.00	18,250.00
113	MAINS	06/30/91	ST LINE	50/00	N	7,819.00	6,385.50	156.38	6,541.88
108	MAINS 1991	07/01/91	ST LINE	50/00	N	108,504.00	88,611.40	2,170.08	90,781.48
112	WATER PUMP	10/22/91	ST LINE	20/00	N	2,421.00	2,417.40	0.00	2,417.40
114	1992 MAINS	06/30/92	ST LINE	50/00	N	12,250.00	12,250.00	0.00	12,250.00
120	1993 MAINS	06/30/93	ST LINE	50/00	N	21,580.44	21,580.44	0.00	21,580.44
124	MCDOWELL GARRETT - CIP	06/30/93	ST LINE	50/00	N	100,368.00	100,368.00	0.00	100,368.00
130	1994 MAINS - CIP	10/01/94	ST LINE	50/00	N	252,527.14	252,527.14	0.00	252,527.14
131	1995 MAINS	06/01/95	ST LINE	50/00	N	12,297.79	12,043.44	245.96	12,289.40
140	1996 MAINS	06/01/96	ST LINE	20/00	N	4,084.60	4,084.60	0.00	4,084.60
148	1997 MAINS	03/05/97	ST LINE	50/00	N	6,509.91	5,802.81	130.20	5,933.01
145	1997 MAINS	10/27/97	ST LINE	50/00	N	3,222.85	2,768.54	64.46	2,833.00
152	1998 MAINS	06/30/98	ST LINE	50/00	N	11,445.66	9,446.53	228.91	9,675.44
168	1999 CIP PHASE III	01/01/99	ST LINE	50/00	N	3,617,773.92	2,894,219.20	72,355.48	2,966,574.68
165	1999 MAINS	06/30/99	ST LINE	50/00	N	5,259.65	4,077.98	105.19	4,183.17
161	1999 MAINS	10/15/99	ST LINE	50/00	N	4,619.43	3,513.92	92.39	3,606.31
162	1999 MAINS	11/12/99	ST LINE	50/00	N	6,347.58	4,804.17	126.95	4,931.12
174	2000 CIP MAINS	06/30/00	ST LINE	50/00	N	1,000.00	725.27	20.00	745.27
177	2000 CIP MAINS	06/30/00	ST LINE	50/00	N	4,442.86	3,222.27	88.86	3,311.13
180	MAINS 2000 CIP	06/30/00	ST LINE	50/00	N	112,861.95	81,855.78	2,257.24	84,113.02
185	MAINS CIP 2000 (ADMIN. FEE)	06/30/00	ST LINE	50/00	N	25,000.00	18,131.83	500.00	18,631.83
186	MAINS CIP 2000 ADDITONAL ADI	06/30/00	ST LINE	50/00	N	10,685.47	1,068.55	213.71	1,282.26
184	MAINS	07/06/00	ST LINE	50/00	N	6,637.35	4,808.50	132.75	4,941.25
190	2001 CIP - PIPE & MATERIALS	06/30/01	ST LINE	50/00	N	799,482.38	539,924.43	15,989.65	555,914.08
197	2002 LINE RELOCATION (MIDAS)	06/06/02	ST LINE	50/00	N	67,231.74	42,263.90	1,344.63	43,608.53
196	2002 MAINS CIP (JOHN'S BR)	09/02/02	ST LINE	50/00	N	129,877.33	80,079.21	2,597.55	82,676.76
198	ROCKFORK LINES	06/30/03	ST LINE	50/00	N	728,285.65	419,013.63	14,565.71	433,579.34
202	SPURLOCK LINES	06/30/03	ST LINE	50/00	N	561,285.34	322,931.34	11,225.71	334,157.05
203	SPURLOCK LINES	06/30/03	ST LINE	50/00	N	21,900.00	12,600.00	438.00	13,038.00
204	SPURLOCK LINES	06/30/03	ST LINE	50/00	N	2,150.00	1,236.99	43.00	1,279.99
206	SPURLOCK LINES	06/30/03	ST LINE	50/00	N	95,747.52	55,087.65	1,914.95	57,002.60
200	LINES - FEMA	09/03/03	ST LINE	50/00	N	58,782.26	33,296.52	1,175.65	34,472.17
207	2004 CIP LINES RD PROJECT	06/30/04	ST LINE	50/00	N	2,611,261.49	1,371,625.70	52,225.23	1,423,850.93
208	2004 CIP - LINES RD	06/30/04	ST LINE	50/00	N	449,373.30	236,043.82	8,987.47	245,031.29
209	2004 CIP LINES RD	06/30/04	ST LINE	50/00	N	32,878.41	17,270.15	657.57	17,927.72
210	2004 CIP LINES RD	06/30/04	ST LINE	50/00	N	113,175.00	59,447.80	2,263.50	61,711.30
212	2004 CIP LINES (FRASURE CREE	06/30/04	ST LINE	50/00	N	168,497.10	88,507.04	3,369.94	91,876.98

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
331-4 T & D MAINS (331-4)									
213	2004 CIP LINES (HAROLD MINNIE	06/30/04	ST LINE	50/00	N	371,697.81	195,242.92	7,433.96	202,676.88
214	2004 CIP LINES (BAPTIST BOTTC	06/30/04	ST LINE	50/00	N	24,020.50	12,617.37	480.41	13,097.78
215	2004 CIP LINES (MISC.)	06/30/04	ST LINE	50/00	N	6,326.50	3,323.18	126.53	3,449.71
221	2005 CIP LINES	01/01/05	ST LINE	50/00	N	58,962.30	21,619.53	1,179.25	22,798.78
218	2005 CIP LINES (RT. 7)	06/30/05	ST LINE	50/00	N	3,399,795.87	1,190,704.72	67,995.92	1,258,700.64
220	2005 CIP (DRY CREEK)	06/30/05	ST LINE	50/00	N	3,957.18	1,385.93	79.14	1,465.07
219	2005 CIP LINES (HAROLD/MINNIE	11/30/05	ST LINE	50/00	N	22,140.00	7,444.70	442.80	7,887.50
226	2006 CIP LINES (MISC.)	01/01/06	ST LINE	50/00	N	22,829.00	10,273.05	456.58	10,729.63
225	2006 CIP LINES (DRY CREEK)	06/30/06	ST LINE	50/00	N	95,382.58	40,570.26	1,907.65	42,477.91
227	2006 CIP LINES (RD SYSTEM IMF	06/30/06	ST LINE	50/00	N	33,130.15	14,091.66	662.60	14,754.26
236	2007 MAINS (SANDY VALLEY)	06/30/07	ST LINE	50/00	N	542,732.45	128,991.89	10,854.65	139,846.54
238	2007 MAINS ADDITIONS	06/30/07	ST LINE	50/00	N	142,088.08	33,770.23	2,841.76	36,611.99
240	2007 CIP LINES (FEMA)	06/30/07	ST LINE	50/00	N	57,817.60	13,741.57	1,156.35	14,897.92
241	2007 CIP LINES (BOSCOE)	06/30/07	ST LINE	50/00	N	17,053.20	4,053.04	341.06	4,394.10
242	20070 CIP LINES (MISC.)	06/30/07	ST LINE	50/00	N	16,574.89	3,939.37	331.50	4,270.87
245	2007 CIP LINES	06/30/07	ST LINE	50/00	N	1,264,909.63	300,632.61	25,298.19	325,930.80
249	LINES (LOC)	01/29/08	ST LINE	50/00	N	77,000.00	17,177.73	1,540.00	18,717.73
255	LINES 2008 (BOSCOE BRIDGE)	01/31/08	ST LINE	50/00	N	12,199.22	2,719.80	243.98	2,963.78
256	2008 LINES (SYSTEM IMPROVEM	01/31/08	ST LINE	50/00	N	48,500.00	10,813.11	970.00	11,783.11
257	2008 MISC. LINES	01/31/08	ST LINE	50/00	N	9,880.64	2,202.90	197.61	2,400.51
253	2008 MAINS (RECLASSIFICATION	06/30/08	ST LINE	50/00	N	250,821.76	53,333.90	5,016.44	58,350.34
254	2008 LINE MOVED	06/30/08	ST LINE	50/00	N	37,004.00	7,868.41	740.08	8,608.49
271	2008 MAINS	01/01/09	ST LINE	50/00	N	75,300.00	15,060.00	1,506.00	16,566.00
270	2009 MAINS RECLASS	06/30/09	ST LINE	50/00	N	272,589.67	74,712.84	5,451.79	80,164.63
282	MEADE HILL LINES	04/19/10	ST LINE	50/00	N	12,174.10	2,863.42	243.48	3,106.90
276	PRICE MAINS	11/04/10	ST LINE	40/00	N	58,307.72	13,582.50	1,457.69	15,040.19
292	2011 CIP RD FR 2010	01/01/11	ST LINE	50/00	N	11,939.36	2,387.89	238.79	2,626.68
288	2011 CIP LINES KIA	06/30/11	ST LINE	50/00	N	5,900.00	1,034.52	118.00	1,152.52
289	2011 CIP LINES KIA	06/30/11	ST LINE	50/00	N	29,700.00	5,207.67	594.00	5,801.67
290	2011 FEMA CIP DRAW #1	10/11/11	ST LINE	50/00	N	136,657.59	22,033.69	2,733.15	24,766.84
291	2011 FEMA CIP DRAW #2	12/01/11	ST LINE	50/00	N	129,532.18	19,979.88	2,590.64	22,570.52
293	2012 CIP MEADE HILL LINES	07/26/12	ST LINE	50/00	N	55,860.23	6,799.36	1,117.20	7,916.56
295	RT 468 LINES	10/02/12	ST LINE	50/00	N	18,660.00	2,097.98	373.20	2,471.18
303	PRIOR FEMA LINES	12/31/13	ST LINE	30/00	N	507,532.23	67,717.31	16,917.74	84,635.05
304	2013 VARIOUS LINES	12/31/13	ST LINE	30/00	N	40,943.98	5,462.94	1,364.80	6,827.74
310	2014 CIP MCDOWELL CURVE LIN	10/31/14	ST LINE	30/00	N	391,550.50	41,372.04	13,051.68	54,423.72
331	MCDOWELL CURVE	03/26/15	ST LINE	30/00	N	2,661.74	245.75	88.72	334.47
329	MINNIE TO HAROLD LINES	04/07/15	ST LINE	30/00	N	591,150.62	53,932.37	19,705.02	73,637.39
330	SIMPSON BRANCH LINES	05/08/15	ST LINE	30/00	N	19,950.00	1,763.62	665.00	2,428.62
332	MELVIN BRIDGE LINES	05/13/15	ST LINE	30/00	N	59,750.00	5,254.73	1,991.67	7,246.40
319	LINES	06/01/15	ST LINE	30/00	N	2,155.60	185.83	71.85	257.68
323	LINES	06/25/15	ST LINE	30/00	N	7,597.77	638.35	253.26	891.61
333	HAROLD LEAK LINES	08/08/15	ST LINE	30/00	N	3,735.00	298.80	124.50	423.30
327	VARIOUS LINES	09/15/15	ST LINE	30/00	N	19,950.00	1,526.77	665.00	2,191.77

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331-4 T & D MAINS (331-4)									
335	WOLFPEN PROJECT LINES	08/30/16	ST LINE	50/00	N	195,422.12	5,232.61	3,908.44	9,141.05
334	SIMPSON BRANCH LINES 2016	10/31/16	ST LINE	50/00	N	147,164.62	3,441.88	2,943.29	6,385.17
360	BETSY LAYNE RIVER CROSSING	06/16/17	ST LINE	50/00	N	56,842.12	619.81	1,136.84	1,756.65
359	2017 MCDOWELL CURVE	07/10/17	ST LINE	50/00	N	2,450.00	23.49	49.00	72.49
361	LINES (MCDOWELL CURVE)	01/17/18	ST LINE	50/00	N	3,900.00	0.00	74.58	74.58
364	LINES (WOLFPEN)	04/05/18	ST LINE	50/00	N	15,200.00	0.00	225.71	225.71
362	LINES (HI HAT)	09/26/18	ST LINE	50/00	N	345,272.63	0.00	1,835.15	1,835.15
	Total for (T & D MAINS (331-4))					22,105,469.26	11,123,823.78	449,917.53	11,573,741.31
333-4 SERV. (333-4)									
19	SERVICES	06/01/74	ST LINE	50/00	N	64,765.00	56,344.50	1,295.30	57,639.80
24	SERVICES	01/01/77	ST LINE	50/00	N	21,136.00	15,994.00	422.72	16,416.72
25	SERVICES	06/01/81	ST LINE	50/00	N	38,887.00	30,073.50	777.74	30,851.24
27	SERVICES	01/01/82	ST LINE	50/00	N	10,022.00	10,022.00	0.00	10,022.00
193	2001 CIP - SERVICE LABOR	06/30/01	ST LINE	50/00	N	339,464.79	229,255.02	6,789.30	236,044.32
	Total for (SERV. (333-4))					474,274.79	341,689.02	9,285.06	350,974.08
334-4 METERS (334-4)									
20	METERS	09/01/74	ST LINE	40/00	N	90,685.00	73,000.28	0.00	73,000.28
22	METER INSTALL.	01/01/75	ST LINE	40/00	N	35,212.00	28,487.40	0.00	28,487.40
28	FLOW METER	06/01/82	ST LINE	40/00	N	15,530.00	15,530.00	0.00	15,530.00
32	METERS & SERVICES	01/01/83	ST LINE	40/00	N	11,755.00	11,755.00	0.00	11,755.00
33	METERS	01/01/84	ST LINE	40/00	N	1,012.00	1,012.00	0.00	1,012.00
34	METERS	01/01/84	ST LINE	40/00	N	3,926.00	3,926.00	0.00	3,926.00
36	METERS	01/01/84	ST LINE	40/00	N	992.00	992.00	0.00	992.00
37	METER INSTALL	01/01/84	ST LINE	40/00	N	9,120.00	9,120.00	0.00	9,120.00
30	METERS	01/01/85	ST LINE	40/00	N	11,787.00	8,075.20	294.68	8,369.88
38	METER INSTALL	01/01/85	ST LINE	40/00	N	1,560.00	1,560.00	0.00	1,560.00
39	METER INSTALL	01/01/85	ST LINE	40/00	N	5,400.00	5,400.00	0.00	5,400.00
62	METER TAP ON FEES	01/01/86	ST LINE	40/00	N	6,960.00	4,627.00	174.00	4,801.00
55	METERS	06/01/86	ST LINE	40/00	N	6,317.00	4,146.45	157.93	4,304.38
60	METER INSTALL	06/01/86	ST LINE	40/00	N	1,054.00	691.35	26.35	717.70
66	METER TAP ON FEES	01/01/87	ST LINE	40/00	N	4,080.00	4,046.00	34.00	4,080.00
65	METERS	07/01/87	ST LINE	40/00	N	7,276.00	7,096.10	179.90	7,276.00
68	METERS	03/01/88	ST LINE	40/00	N	5,948.00	5,665.90	148.70	5,814.60
74	GATE VALVE	03/31/88	ST LINE	40/00	N	2,159.00	2,051.30	53.98	2,105.28
77	METER TAP ON FEES	07/01/88	ST LINE	40/00	N	6,080.00	5,726.40	152.00	5,878.40
82	METER	01/23/89	ST LINE	40/00	N	402.00	369.25	10.05	379.30
80	METER	02/16/89	ST LINE	40/00	N	507.00	466.40	12.68	479.08
83	METER	03/14/89	ST LINE	40/00	N	402.00	368.25	10.05	378.30
85	METER	03/14/89	ST LINE	40/00	N	216.00	198.00	5.40	203.40
86	GATE VALVE	03/31/89	ST LINE	40/00	N	625.00	573.75	15.63	589.38
95	GATE VALVE	03/31/89	ST LINE	50/00	N	625.00	558.10	12.50	570.60
89	TAP ON FEES	07/01/89	ST LINE	40/00	N	5,400.00	4,905.00	135.00	5,040.00
93	METER ADDITION 1989	07/01/89	ST LINE	40/00	N	2,858.00	2,595.65	71.45	2,667.10
104	1990 METER ADD.	06/30/90	ST LINE	40/00	N	7,400.00	6,475.40	185.00	6,660.40

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334-4 METERS (334-4)									
102	TAP ON FEES	07/01/90	ST LINE	40/00	N	3,960.00	3,465.00	99.00	3,564.00
106	TAP ON FEES	06/01/91	ST LINE	40/00	N	5,640.00	4,763.00	141.00	4,904.00
109	METERS 1991	07/01/91	ST LINE	40/00	N	10,248.00	8,626.00	256.20	8,882.20
115	METERS 1992	06/30/92	ST LINE	40/00	N	4,491.00	3,630.40	112.28	3,742.68
116	TAP ON FEES	06/30/92	ST LINE	40/00	N	480.00	388.00	12.00	400.00
132	1995 METERS	06/01/95	ST LINE	40/00	N	9,176.94	6,526.75	229.42	6,756.17
133	GATE VALVES	06/01/95	ST LINE	40/00	N	1,304.65	927.93	32.62	960.55
141	1996 METERS	06/01/96	ST LINE	40/00	N	6,353.24	4,306.29	158.83	4,465.12
143	1997 METERS	01/10/97	ST LINE	40/00	N	1,791.23	1,177.79	44.78	1,222.57
144	1997 METERS	06/26/97	ST LINE	40/00	N	824.53	529.48	20.61	550.09
149	1997 METERS	06/30/97	ST LINE	40/00	N	13,535.63	8,688.48	338.39	9,026.87
153	1998 METERS	06/30/98	ST LINE	40/00	N	11,721.15	7,132.98	293.03	7,426.01
154	GATE VALVE	06/30/98	ST LINE	40/00	N	5,038.31	3,066.08	125.96	3,192.04
160	1999 METERS	02/19/99	ST LINE	40/00	N	2,095.72	2,095.72	0.00	2,095.72
164	1999 METERS	06/30/99	ST LINE	40/00	N	3,854.41	2,217.16	96.36	2,313.52
175	2000 GATE VALVES CIP	06/30/00	ST LINE	40/00	N	4,366.51	2,365.97	109.16	2,475.13
178	METERS 2000 CIP	06/30/00	ST LINE	40/00	N	19,900.72	10,783.22	497.52	11,280.74
183	METERS	11/27/00	ST LINE	40/00	N	9,450.00	4,991.37	236.25	5,227.62
194	2001 CIP - METER INSTALLATIOI	06/30/01	ST LINE	40/00	N	81,704.53	57,221.17	2,042.61	59,263.78
280	3 MASTER METERS	11/04/10	ST LINE	40/00	N	68,275.63	15,904.47	1,706.89	17,611.36
343	TURBIDIMETER	04/06/17	ST LINE	40/00	N	2,426.27	44.87	60.66	105.53
	Total for (METERS (334-4))					511,926.47	358,270.31	8,292.87	366,563.18
335-4 HYDR (335-4)									
31	HYDRANTS	01/01/85	ST LINE	50/00	N	736.00	487.00	14.72	501.72
54	HYDRANTS	07/01/86	ST LINE	50/00	N	1,563.00	983.50	31.26	1,014.76
67	HYDRANTS	10/01/87	ST LINE	50/00	N	224,871.00	136,044.50	4,497.42	140,541.92
76	HYDRANTS	07/01/88	ST LINE	50/00	N	17,824.00	10,514.00	356.48	10,870.48
179	HYDRANTS 2000 CIP	06/30/00	ST LINE	50/00	N	7,800.00	2,730.85	156.00	2,886.85
277	HYDRANT	11/04/10	ST LINE	50/00	N	3,646.26	758.24	72.93	831.17
	Total for (HYDR (335-4))					256,440.26	151,518.09	5,128.81	156,646.90
340-5 EQUIP (340-5)									
52	COPIER	01/01/85	ST LINE	05/00	N	1,795.00	1,616.00	0.00	1,616.00
79	AIR CONDITIONER	06/22/88	ST LINE	05/00	N	550.00	550.00	0.00	550.00
78	TYPEWRITER	10/21/88	ST LINE	05/00	N	760.00	760.00	0.00	760.00
117	COMPUTER SOFTWARE	03/10/92	ST LINE	05/00	N	1,500.00	1,500.00	0.00	1,500.00
118	OSM MANUAL	03/10/92	ST LINE	05/00	N	3,000.00	3,000.00	0.00	3,000.00
122	FAX MACHINE	06/14/93	ST LINE	05/00	N	849.96	849.96	0.00	849.96
135	IBM PRINTER	02/02/95	ST LINE	05/00	N	453.00	453.00	0.00	453.00
136	COPIER	04/01/95	ST LINE	07/00	N	3,080.29	3,080.29	0.00	3,080.29
286	FAX MACHINE	10/04/11	ST LINE	07/00	N	1,013.78	904.29	109.49	1,013.78
307	SOFTWARE SOLUTIONS	12/11/13	ST LINE	05/00	N	6,186.00	5,019.98	1,166.02	6,186.00
318	EQUIPMENT	03/02/15	ST LINE	05/00	N	2,816.11	1,597.08	563.22	2,160.30
357	COMPUTERS & SOFTWARE PCU	01/01/17	ST LINE	07/00	N	47,343.00	6,763.29	6,763.29	13,526.58
	Total for (EQUIP (340-5))					69,347.14	26,093.89	8,602.02	34,695.91

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341-5 VEH (341-5)									
42	TRANS. EQUIP.	01/01/01	ST LINE	10/00	N	6,320.00	6,320.00	0.00	6,320.00
51	VAN	01/01/84	ST LINE	05/00	N	2,500.00	2,500.00	0.00	2,500.00
166	1999 MAIS - LINE EXTENSIONS	06/30/99	ST LINE	20/00	N	29,553.79	27,347.39	1,477.69	28,825.08
223	VEOLIA TRUCK	06/30/06	ST LINE	05/00	N	5,724.40	5,724.40	0.00	5,724.40
251	SERVICE TRUCK	10/02/08	ST LINE	07/00	N	5,500.00	5,500.00	0.00	5,500.00
259	BOBCAT SKID STEER	03/09/09	ST LINE	05/00	N	11,492.50	11,492.50	0.00	11,492.50
261	TRAILER	04/30/09	ST LINE	07/00	N	6,718.96	6,718.96	0.00	6,718.96
265	DODGE TRUCK	06/30/09	ST LINE	05/00	N	32,198.67	32,198.67	0.00	32,198.67
266	CHEVY TRUCK	06/30/09	ST LINE	05/00	N	32,198.67	32,198.67	0.00	32,198.67
272	2004 COLORADO TRUCK	08/28/10	ST LINE	05/00	N	5,500.00	5,500.00	0.00	5,500.00
283	TRAILER	01/11/11	ST LINE	07/00	N	2,000.00	1,992.15	7.85	2,000.00
284	RED TOYOTA	02/02/11	ST LINE	07/00	N	2,500.00	2,468.67	31.33	2,500.00
285	TRAILER	03/10/11	ST LINE	07/00	N	467.51	455.08	12.43	467.51
287	TRAILER	10/26/11	ST LINE	07/00	N	1,186.97	1,048.55	138.42	1,186.97
305	TOYOTA TRUCK	06/14/13	ST LINE	05/00	N	11,500.00	10,466.58	1,033.42	11,500.00
308	2013 TRUCK REPAIRS	09/13/13	ST LINE	05/00	N	5,019.00	4,317.72	701.28	5,019.00
298	2011 FORD RANGER	09/25/13	ST LINE	05/00	N	10,666.67	9,106.11	1,560.56	10,666.67
299	2011 FORD RANGER	09/25/13	ST LINE	05/00	N	10,666.67	9,106.11	1,560.56	10,666.67
300	2011 FORD RANGER	09/25/13	ST LINE	05/00	N	10,666.66	9,106.11	1,560.55	10,666.66
301	2013 DODGE RAM 3500	09/25/13	ST LINE	05/00	N	38,075.00	32,504.58	5,570.42	38,075.00
309	2014 CHEVY TRUCK (DEANS)	09/24/14	ST LINE	05/00	N	35,018.00	22,910.41	7,003.60	29,914.01
312	MOTOR (GRASSY AUTO PARTS)	02/23/15	ST LINE	05/00	N	4,200.00	2,398.03	840.00	3,238.03
322	TRUCK REPAIRS	06/04/15	ST LINE	05/00	N	2,110.69	1,088.31	422.14	1,510.45
313	TRAILER	06/30/15	ST LINE	05/00	N	3,950.00	1,980.41	790.00	2,770.41
315	TRAILER	08/14/15	ST LINE	05/00	N	1,695.00	808.03	339.00	1,147.03
337	2016 CHEVY CREW (DEAN'S)	06/07/16	ST LINE	05/00	N	36,618.00	11,485.65	7,323.60	18,809.25
338	2016 CHEVY 2500 (FIELD)	06/07/16	ST LINE	05/00	N	29,017.00	9,101.51	5,803.40	14,904.91
339	2016 CHEVY 3500 (DUMP)	06/07/16	ST LINE	05/00	N	45,690.00	14,331.18	9,138.00	23,469.18
341	TRILER (PJ TRAILER)	03/29/17	ST LINE	05/00	N	791.75	120.61	158.35	278.96
350	2018 CHEVY SILVERADO 1500	12/31/17	ST LINE	05/00	N	25,196.80	13.81	5,039.36	5,053.17
351	2018 CHEVY SILVERADO 1500	12/31/17	ST LINE	05/00	N	25,196.80	13.81	5,039.36	5,053.17
352	2018 CHEVY SILVERADO 1500	12/31/17	ST LINE	05/00	N	25,196.80	13.81	5,039.36	5,053.17
353	2018 CHEVY SILVERADO 1500	12/31/17	ST LINE	05/00	N	25,196.80	13.81	5,039.36	5,053.17
354	2018 CHEVY SILVERADO 1500	12/31/17	ST LINE	05/00	N	25,196.80	13.81	5,039.36	5,053.17
	Total for (VEH (341-5))					515,529.91	280,365.44	70,669.40	351,034.84
343-5 COPP SET (343-5)									
56	TOOLS	03/04/86	ST LINE	05/00	N	220.00	220.00	0.00	220.00
72	COPPERSETTER (4)	03/21/88	ST LINE	05/00	N	1,388.00	1,388.00	0.00	1,388.00
70	TOOLS	03/25/88	ST LINE	05/00	N	1,662.00	1,662.00	0.00	1,662.00
84	COPPERSETTER	03/14/89	ST LINE	05/00	N	300.00	300.00	0.00	300.00
94	COPPERSETTER	06/14/89	ST LINE	05/00	N	249.00	249.00	0.00	249.00
103	COPPERSETTER	04/17/90	ST LINE	05/00	N	972.00	972.00	0.00	972.00
110	COPPERSETTERS	07/01/91	ST LINE	05/00	N	4,507.00	4,507.00	0.00	4,507.00
119	COPPERSETTER	03/10/92	ST LINE	05/00	N	1,078.00	1,078.00	0.00	1,078.00

Southern Water and Sewer (BEWD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
343-5 COPP SET (343-5)									
134	COPPERSETTERS	06/01/95	ST LINE	05/00	N	678.38	678.38	0.00	678.38
	Total for (COPP SET (343-5))					11,054.38	11,054.38	0.00	11,054.38
344-5 EQUIP (344-5)									
43	LAB EQUIPMENT	01/01/80	ST LINE	10/00	N	15,997.00	15,997.00	0.00	15,997.00
	Total for (EQUIP (344-5))					15,997.00	15,997.00	0.00	15,997.00
345-5 POW EQUIP (345-5)									
234	EXCAVATOR	03/31/07	ST LINE	07/00	N	27,500.00	27,500.00	0.00	27,500.00
250	EXCAVATOR	08/18/08	ST LINE	07/00	N	13,500.00	13,500.00	0.00	13,500.00
260	GENREATOR	04/30/09	ST LINE	05/00	N	1,737.05	1,737.05	0.00	1,737.05
262	LAWN MOWER	04/30/09	ST LINE	05/00	N	500.00	500.00	0.00	500.00
297	EQUIPMENT	12/03/12	ST LINE	07/00	N	1,257.79	912.64	179.68	1,092.32
314	GENERATIOR	06/30/15	ST LINE	05/00	N	3,750.00	1,880.14	750.00	2,630.14
311	EXCAVATOR	07/31/15	ST LINE	07/00	N	41,355.00	14,308.35	5,907.86	20,216.21
340	LIFT	03/13/17	ST LINE	05/00	N	3,345.00	538.87	669.00	1,207.87
342	BOBCAT ATTACHMENT	04/05/17	ST LINE	05/00	N	1,789.14	265.68	357.83	623.51
346	MINI FINAL DRIVES	04/28/17	ST LINE	05/00	N	2,475.00	336.33	495.00	831.33
347	DOZER TRACK	04/28/17	ST LINE	05/00	N	1,470.22	199.79	294.04	493.83
348	FINAL MINI DRIVES	05/24/17	ST LINE	05/00	N	2,775.00	337.56	555.00	892.56
349	RUBBER TRACK FOR DOZER	07/14/17	ST LINE	05/00	N	2,387.08	223.67	477.42	701.09
	Total for (POW EQUIP (345-5))					103,841.28	62,240.08	9,685.83	71,925.91
346-5 RADIOS (346-5)									
48	RADIOS TWO WAY	01/01/82	ST LINE	05/00	N	2,194.00	2,194.00	0.00	2,194.00
49	RADIOS TWO WAY	01/01/84	ST LINE	05/00	N	1,125.00	1,125.00	0.00	1,125.00
87	RADIO MIKE	03/22/89	ST LINE	05/00	N	722.00	722.00	0.00	722.00
269	RADIOS	11/17/09	ST LINE	05/00	N	646.56	646.56	0.00	646.56
	Total for (RADIOS (346-5))					4,687.56	4,687.56	0.00	4,687.56
347-5 EQUIP (347-5)									
45	MISC. EQUIP	01/01/01	ST LINE	10/00	N	483.00	483.00	0.00	483.00
58	BENCH TESTER	04/30/86	ST LINE	10/00	N	4,396.00	4,396.00	0.00	4,396.00
125	COMPUTER FOR PLANT	07/31/94	ST LINE	05/00	N	1,012.94	1,012.94	0.00	1,012.94
367	EQUIPMENT	04/04/18	ST LINE	07/00	N	1,400.00	0.00	149.04	149.04
	Total for (EQUIP (347-5))					7,291.94	5,891.94	149.04	6,040.98
	Client Subtotal Before Sales					36,073,712.20	19,312,373.05	876,331.64	20,188,704.69
	Less Assets Sold					0.00			0.00
	Total					36,073,712.20	19,312,373.05	876,331.64	20,188,704.69

Book Basis

Southern Water and Sewer District (MUD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

02/04/19
09:20AM

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
303 LAND (303)									
70	LAND	01/01/41	LAND	05/00	N	5,173.00	0.00	0.00	0.00
	Total for (LAND (303))					5,173.00	0.00	0.00	0.00
307 WELLS (307)									
26	WELLS & SPRINGS	12/31/79	ST LINE	50/00	N	1,486.00	1,486.00	0.00	1,486.00
27	WELLS & SPRINGS	12/31/80	ST LINE	50/00	N	1,398.00	1,398.00	0.00	1,398.00
28	WELLS & SPRINGS	12/31/81	ST LINE	50/00	N	420.00	420.00	0.00	420.00
	Total for (WELLS (307))					3,304.00	3,304.00	0.00	3,304.00
311 PUMP EQU (311)									
29	PUMPING EQUIPMENT	12/31/70	ST LINE	50/00	N	31,403.00	31,403.00	0.00	31,403.00
30	PUMPING EQUIPMENT	12/31/86	ST LINE	50/00	N	61,893.00	46,197.90	1,237.86	47,435.76
31	PUMPING EQUIPMENT	12/31/86	ST LINE	50/00	N	3,261.00	2,446.70	65.22	2,511.92
32	PUMPING EQUIPMENT	12/31/87	ST LINE	50/00	N	1,079.00	782.50	21.58	804.08
34	PUMPING EQUIPMENT	07/19/88	ST LINE	50/00	N	1,960.00	1,394.00	39.20	1,433.20
33	PUMPING EQUIPMENT	12/31/88	ST LINE	50/00	N	543.00	380.90	10.86	391.76
35	PUMPING EQUIPMENT	03/15/89	ST LINE	50/00	N	572.00	397.20	11.44	408.64
36	PUMPING EQUIPMENT	06/14/89	ST LINE	50/00	N	620.00	428.00	12.40	440.40
55	PUMPS	02/02/90	ST LINE	50/00	N	5,255.00	3,535.10	105.10	3,640.20
56	PUMPS	02/02/90	ST LINE	50/00	N	1,305.00	879.10	26.10	905.20
96	PUMP	06/29/92	ST LINE	50/00	N	2,986.00	1,828.60	59.72	1,888.32
88	SUMMERSIBLE PUMP	08/31/92	ST LINE	07/00	N	1,909.00	1,908.35	0.00	1,908.35
100	PUMP STATION REPAIRS	12/30/93	FED BASIS	20/00	N	1,243.00	1,243.00	0.00	1,243.00
108	PUMP	06/30/95	ST LINE	50/00	N	4,543.39	3,105.76	90.87	3,196.63
117	PUMP MOTOR	02/28/96	ST LINE	50/00	N	1,780.00	1,177.21	35.60	1,212.81
116	PUMP MINK BRANCH	04/15/96	ST LINE	50/00	N	1,818.46	1,195.00	36.37	1,231.37
119	PUMP REPAIR	04/15/96	ST LINE	50/00	N	688.47	452.42	13.77	466.19
114	PUMPS	06/30/96	ST LINE	50/00	N	4,520.00	2,938.88	90.40	3,029.28
115	RADIO BASE STATION	08/14/96	ST LINE	07/00	N	518.04	518.04	0.00	518.04
122	PUMP	06/26/97	ST LINE	50/00	N	1,065.00	657.38	21.30	678.68
136	PUMPS & MOTORS	03/12/99	ST LINE	50/00	N	2,502.00	1,401.81	50.04	1,451.85
137	PUMPS & MOTORS	03/30/99	ST LINE	50/00	N	2,325.00	1,298.82	46.50	1,345.32
	Total for (PUMP EQU (311))					133,789.36	105,569.67	1,974.33	107,544.00
330 DIST RES (330)									
37	DIST. RESERVOIRS	12/15/89	ST LINE	45/00	N	48,000.00	30,053.75	1,066.67	31,120.42
58	DISTRIBUTION	03/27/90	ST LINE	45/00	N	920.00	566.00	20.44	586.44
60	DISTRIBUTIONS	06/14/90	ST LINE	45/00	N	563.00	345.75	12.51	358.26
62	DIST. RESERVOIRS	07/13/90	ST LINE	45/00	N	563.00	345.75	12.51	358.26
95	BARRIERS	03/31/93	FED BASIS	20/00	N	900.00	900.00	0.00	900.00
	Total for (DIST RES (330))					50,946.00	32,211.25	1,112.13	33,323.38
331 T & D MAINS (331)									
38	T & D MAINS	01/01/71	ST LINE	50/00	N	967,123.00	967,123.00	0.00	967,123.00
39	T & D MAINS	12/31/84	ST LINE	50/00	N	2,090.00	1,723.00	41.80	1,764.80
40	T & D MAINS	12/31/85	ST LINE	50/00	N	697.00	540.30	13.94	554.24
41	T & D MAINS	12/31/86	ST LINE	50/00	N	387.00	285.30	7.74	293.04
42	T & D MAINS	12/31/87	ST LINE	50/00	N	119,771.00	86,833.70	2,395.42	89,229.12

Southern Water and Sewer District (MUD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
331 T & D MAINS (331)									
44	T & D MAINS	07/19/88	ST LINE	50/00	N	4,201.00	2,988.70	84.02	3,072.72
43	T & D MAINS	12/31/88	ST LINE	50/00	N	57,144.00	40,001.40	1,142.88	41,144.28
46	T & D MAINS	01/01/89	ST LINE	50/00	N	642.00	436.20	12.84	449.04
45	T & D MAINS	03/16/89	ST LINE	50/00	N	648.00	417.80	12.96	430.76
47	T & D MAINS	10/10/89	ST LINE	50/00	N	1,387.00	944.30	27.74	972.04
48	T & D MAINS	12/11/89	ST LINE	50/00	N	713.00	482.90	14.26	497.16
63	T & D MAINS	03/13/90	ST LINE	50/00	N	514.00	339.40	10.28	349.68
61	T & D MAINS	07/02/90	ST LINE	50/00	N	1,642.00	1,088.20	32.84	1,121.04
65	T & D MAINS	09/26/90	ST LINE	50/00	N	1,158.00	759.80	23.16	782.96
72	MAINS	02/28/92	ST LINE	50/00	N	1,984.00	1,231.40	39.68	1,271.08
75	MAINS	04/30/92	ST LINE	50/00	N	1,881.00	1,159.70	37.62	1,197.32
80	MAINS	10/31/92	ST LINE	50/00	N	261.00	157.70	5.22	162.92
103	1994 MAINS	06/30/94	ST LINE	50/00	N	2,101.04	1,182.26	42.02	1,224.28
104	1995 MAINS	06/30/95	ST LINE	50/00	N	5,244.51	2,819.77	104.89	2,924.66
113	1996 MAINS	06/30/96	ST LINE	50/00	N	914.00	468.55	18.28	486.83
123	97 MAINS	06/30/97	ST LINE	50/00	N	8,971.20	4,374.98	179.42	4,554.40
127	98 MAINS	06/30/98	ST LINE	50/00	N	7,200.73	3,331.57	144.01	3,475.58
133	1998 MAINS	06/30/98	ST LINE	50/00	N	4,530.00	2,095.90	90.60	2,186.50
139	1999 MAINS	08/13/99	ST LINE	50/00	N	1,644.04	714.58	32.88	747.46
140	1999 MAINS	08/27/99	ST LINE	50/00	N	2,230.02	967.15	44.60	1,011.75
134	1999 MAINS	09/14/99	ST LINE	50/00	N	1,698.84	734.69	33.98	768.67
141	MAINS 1999	10/14/99	ST LINE	50/00	N	2,155.67	927.78	43.11	970.89
	Total for (T & D MAINS (331))					1,198,933.05	1,124,130.03	4,636.19	1,128,766.22
333 SERV (333)									
49	SERVICES	12/31/85	ST LINE	50/00	N	681.00	614.50	13.62	628.12
50	SERVICES	12/31/86	ST LINE	50/00	N	37,594.00	29,073.00	751.88	29,824.88
51	SERVICES	12/31/86	ST LINE	50/00	N	2,196.00	1,698.00	43.92	1,741.92
52	SERVICES	12/31/87	ST LINE	50/00	N	75,399.00	51,025.50	1,507.98	52,533.48
53	SERVICES	12/31/88	ST LINE	50/00	N	759.00	439.50	15.18	454.68
54	SERVICES	12/31/88	ST LINE	50/00	N	3,921.00	2,273.50	78.42	2,351.92
	Total for (SERV (333))					120,550.00	85,124.00	2,411.00	87,535.00
334 METERS (334)									
1	METER	12/31/80	ST LINE	40/00	N	3,500.00	3,500.00	0.00	3,500.00
2	METER	12/31/81	ST LINE	40/00	N	1,400.00	1,400.00	0.00	1,400.00
3	METER	06/30/82	ST LINE	40/00	N	250.00	250.00	0.00	250.00
4	METER	12/31/83	ST LINE	40/00	N	2,750.00	2,750.00	0.00	2,750.00
5	METER	12/31/84	ST LINE	40/00	N	2,375.00	2,375.00	0.00	2,375.00
6	METER	12/31/85	ST LINE	40/00	N	1,041.00	1,041.00	0.00	1,041.00
11	METER	12/31/85	ST LINE	40/00	N	632.00	518.80	15.80	534.60
7	METER	12/31/86	ST LINE	40/00	N	41,686.00	41,686.00	0.00	41,686.00
8	METER	12/31/86	ST LINE	40/00	N	1,910.00	1,910.00	0.00	1,910.00
12	METER	12/31/86	ST LINE	40/00	N	41,686.00	30,616.15	1,042.15	31,658.30
13	METER	12/31/86	ST LINE	40/00	N	13,838.00	10,163.95	345.95	10,509.90
9	METER	12/31/87	ST LINE	40/00	N	17,455.00	17,455.00	0.00	17,455.00

Southern Water and Sewer District (MUD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
334 METERS (334)									
14	METER	12/31/87	ST LINE	40/00	N	16,720.00	11,198.00	418.00	11,616.00
16	METER	07/19/88	ST LINE	40/00	N	3,921.00	2,842.75	98.03	2,940.78
10	METER	12/31/88	ST LINE	40/00	N	1,674.00	1,549.25	41.85	1,591.10
15	METER	12/31/88	ST LINE	40/00	N	7,470.00	4,518.75	186.75	4,705.50
18	METER	01/06/89	ST LINE	40/00	N	900.00	832.50	22.50	855.00
19	METER	01/06/89	ST LINE	40/00	N	345.00	320.15	8.63	328.78
20	METER	02/09/89	ST LINE	40/00	N	743.00	685.30	18.58	703.88
21	METER	02/16/89	ST LINE	40/00	N	960.00	884.00	24.00	908.00
17	METER	04/18/89	ST LINE	40/00	N	774.00	708.75	19.35	728.10
57	METERS	03/14/90	ST LINE	40/00	N	900.00	523.50	22.50	546.00
59	METERS	05/14/90	ST LINE	40/00	N	658.00	380.45	16.45	396.90
64	METERS	08/29/90	ST LINE	40/00	N	1,349.00	771.25	33.73	804.98
66	METERS	10/12/90	ST LINE	40/00	N	1,799.00	1,025.50	44.98	1,070.48
67	METERS	12/13/90	ST LINE	40/00	N	540.00	306.50	13.50	320.00
73	METERS	02/28/92	ST LINE	40/00	N	380.00	311.90	9.50	321.40
74	METERS	03/31/92	ST LINE	40/00	N	806.00	658.15	20.15	678.30
76	METERS	06/30/92	ST LINE	40/00	N	891.00	720.40	22.28	742.68
77	METERS	07/31/92	ST LINE	40/00	N	807.00	649.90	20.18	670.08
78	METERS	09/30/92	ST LINE	40/00	N	539.00	430.80	13.48	444.28
79	METERS	10/31/92	ST LINE	40/00	N	648.00	517.00	16.20	533.20
81	METERS	11/30/92	ST LINE	40/00	N	2,605.00	2,069.25	65.13	2,134.38
91	METERS	11/30/92	ST LINE	40/00	N	970.00	770.85	24.25	795.10
82	METERS	12/31/92	ST LINE	40/00	N	250.00	197.85	6.25	204.10
97	COPPERSETTERS	05/14/93	ST LINE	40/00	N	581.00	450.32	14.53	464.85
96	METERS	06/30/93	ST LINE	40/00	N	3,242.00	2,512.57	81.05	2,593.62
102	1994 METERS	06/30/94	ST LINE	40/00	N	2,498.53	1,853.55	62.46	1,916.01
105	1995 METERS	06/30/95	ST LINE	40/00	N	2,764.53	1,958.81	69.11	2,027.92
106	1995 VALVES	06/30/95	ST LINE	40/00	N	1,390.07	985.02	34.75	1,019.77
107	1995 COPPERSETTERS	06/30/95	ST LINE	40/00	N	1,099.67	779.25	27.49	806.74
112	1996 METERS	06/30/96	ST LINE	40/00	N	7,298.54	4,927.75	182.46	5,110.21
124	97 METERS	06/30/97	ST LINE	40/00	N	427.34	274.22	10.68	284.90
128	98 METERS	06/30/98	ST LINE	40/00	N	5,648.82	3,437.60	141.22	3,578.82
130	GATE VALVES	06/30/98	ST LINE	40/00	N	2,963.64	1,803.58	74.09	1,877.67
135	1999 METERS	02/25/99	ST LINE	40/00	N	4,181.04	2,452.83	104.53	2,557.36
	Total for (METERS (334))					207,267.18	167,974.15	3,372.54	171,346.69
340 EQUIP (340)									
69	COMPUTER	04/30/91	200% DB	05/00	N	2,048.00	2,048.00	0.00	2,048.00
84	CANON COPIER	03/31/92	ST LINE	07/00	N	1,220.00	1,219.57	0.00	1,219.57
87	PRESSURE RECORDER	06/29/92	ST LINE	07/00	N	653.00	652.59	0.00	652.59
98	AIR CONDITIONER	06/29/93	FED BASIS	05/00	N	449.00	449.00	0.00	449.00
110	XEROX COPIER	06/30/95	ST LINE	05/00	N	2,519.00	2,519.00	0.00	2,519.00
111	SOCOS COMPUTER	12/28/95	ST LINE	05/00	N	1,185.00	1,185.00	0.00	1,185.00
118	SOFTWARE	04/30/96	ST LINE	07/00	N	290.00	290.00	0.00	290.00
138	COMPUTER UPGRADE	04/27/99	ST LINE	05/00	N	940.00	940.00	0.00	940.00

Southern Water and Sewer District (MUD)
Depreciation Schedule by G/L Account Number
For the 12 Months Ended 12/31/18

Asset No.	Asset Description	Date Acquired	Method	Life	Sold?	Cost	Accum Depr 01/01/18	Current Depreciation	Accum Depr 12/31/18
340 EQUIP (340)									
	Total for (EQUIP (340))					9,304.00	9,303.16	0.00	9,303.16
341 EQUIP (341)									
83	TWO-WAY BASE STATION	01/15/92	200% DB	07/00	N	580.00	554.07	0.00	554.07
85	TWO-WAY RADIO	05/28/92	ST LINE	07/00	N	788.00	786.95	0.00	786.95
93	DUMP TRUCK REPAIRS	01/29/93	FED BASIS	07/00	N	1,112.00	1,112.00	0.00	1,112.00
94	BACKHOE REPAIRS	01/29/93	FED BASIS	07/00	N	1,515.00	1,515.00	0.00	1,515.00
99	DITCH WITCH	08/31/93	FED BASIS	07/00	N	5,718.00	5,718.00	0.00	5,718.00
121	BACKHOE REPAIRS	02/27/97	ST LINE	07/00	N	1,773.18	1,773.18	0.00	1,773.18
126	KENWOOD RADIO	06/30/97	ST LINE	07/00	N	637.00	637.00	0.00	637.00
131	RADIOS	06/30/98	ST LINE	05/00	N	580.96	580.96	0.00	580.96
132	TRUCK REPAIRS	06/30/98	ST LINE	07/00	N	1,838.77	1,838.77	0.00	1,838.77
142	TRUCK	12/31/09	ST LINE	05/00	N	17,600.00	17,600.00	0.00	17,600.00
	Total for (EQUIP (341))					32,142.91	32,115.93	0.00	32,115.93
343 TOOLS (343)									
22	TOOLS SHOP & GARAGE	12/31/83	ST LINE	15/00	N	200.00	132.98	0.00	132.98
23	TOOLS, SHOP, & GARAGE	12/31/86	ST LINE	15/00	N	1,622.00	1,622.00	0.00	1,622.00
25	OTHER TANG. PROPERTY	12/31/86	ST LINE	05/00	N	1,111.00	1,111.00	0.00	1,111.00
24	TOOLS, SHOP, & GARAGE	12/31/88	ST LINE	15/00	N	674.00	674.00	0.00	674.00
125	METAL DETECTOR	06/30/97	ST LINE	07/00	N	795.00	795.00	0.00	795.00
129	TOOLS	06/30/98	ST LINE	07/00	N	528.99	528.99	0.00	528.99
	Total for (TOOLS (343))					4,930.99	4,863.97	0.00	4,863.97
	Client Subtotal Before Sales					1,766,340.49	1,564,596.16	13,506.19	1,578,102.35
	Less Assets Sold					0.00			0.00
	Total					1,766,340.49	1,564,596.16	13,506.19	1,578,102.35

Attachment 9a

00000003862600038928506501011117170851

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$125,984.00	11-17-2017	11-20-2019	38626	J / 7	[redacted]	***	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Borrower: SOUTHERN WATER & SEWER DISTRICT
PO BOX 510
MCDOWELL, KY 41647-0610

Lender: CITIZENS BANK OF KENTUCKY
LEFT BEAVER
PO BOX 1488
PAINTSVILLE , KY 41240-1488

Principal Amount: $125,984.00 **Date of Note: November 17, 2017**

PROMISE TO PAY. SOUTHERN WATER & SEWER DISTRICT ("Borrower") promises to pay to CITIZENS BANK OF KENTUCKY ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Twenty-five Thousand Nine Hundred Eighty-four & 00/100 Dollars ($125,984.00), together with interest on the unpaid principal balance from November 17, 2017, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 4.250% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 23 regular payments of $1,989.53 each and one irregular last payment estimated at $89,562.66. Borrower's first payment is due December 20, 2017, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on November 20, 2019, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: CITIZENS BANK OF KENTUCKY, PO BOX 1488 PAINTSVILLE, KY 41240-1488.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the total sum due under this Note will continue to accrue interest at the interest rate under this Note.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

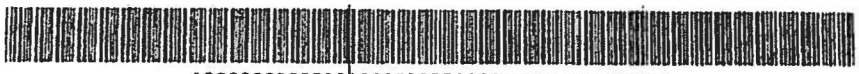
Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest



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PROMISSORY NOTE
(Continued)

immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of JOHNSON County, Commonwealth of Kentucky.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

APPRAISAL FEE REIMBURSEMENT. If any adoption of or change in law or regulation, or in the interpretation or administration thereof by any official authority, or any requirement or condition imposed or recommended by any official authority, shall cause Citizens Bank of Kentucky to obtain one or more updated appraisals of any collateral securing payment of this Note, Customer shall, promptly upon demand by Citizens Bank of Kentucky, reimburse Citizens Bank of Kentucky for the cost of each such appraisal.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

SOUTHERN WATER & SEWER DISTRICT

By: Dean Hall
DEAN HALL, MANAGER of SOUTHERN WATER & SEWER DISTRICT

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"00000000010004402509560023014061-0874341"

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$25,018.60	09-23-2014	09-23-2019					

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Borrower: Southern Water & Sewer District (TIN: 61-0874341)
P.O. Box 610
McDowell, KY 41647

Lender: FIRST GUARANTY BANK
Martin Branch
39 Triangle Street
P.O. Box 668
Martin, KY 41649

Principal Amount: $25,018.60 **Interest Rate: 5.900%** **Date of Note: September 23, 2014**

PROMISE TO PAY. Southern Water & Sewer District ("Borrower") promises to pay to FIRST GUARANTY BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of Twenty-five Thousand Eighteen & 60/100 Dollars ($25,018.60), together with interest on the unpaid principal balance from September 23, 2014, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 5.900% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in full immediately upon Lender's demand. If no demand is made, Borrower will pay this loan in 60 payments of $482.52 each payment. Borrower's first payment is due October 23, 2014, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on September 23, 2019, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any late charges; and then to any unpaid collection costs. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT; MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of $10.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or restrictions on its full acceptance, or a disputed amount must be mailed or delivered to: FIRST GUARANTY BANK, Martin Branch, 39 Triangle Street, P.O. Box 668, Martin, KY 41649.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment or $25.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the interest rate on this Note shall be increased by 2.000 percentage points. However, in no event will the interest rate exceed the maximum interest rate limitations under applicable law.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Floyd County, Commonwealth of Kentucky.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by the following collateral described in the security instrument listed herein: a motor vehicle described in a Commercial Security Agreement dated September 23, 2014.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: First Guaranty Bank P.O. Box 668 Martin , KY 41649.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

SOUTHERN WATER & SEWER DISTRICT

By: _____
PAULA JOHNSON, CHAIRMAN of Southern Water & Sewer District

By: _____
GARY [illegible] SECRETARY of Southern Water & Sewer District

LASER PRO Lending [illegible] All Rights Reserved [illegible]

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PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$41,355.00	06-09-2015	06-09-2017	36561	C / U	[redacted]	***	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Borrower: SOUTHERN WATER & SEWER DISTRICT
PO BOX 610
MCDOWELL, KY 41647

Lender: CITIZENS NATIONAL BANK
LEFT BEAVER
PO BOX 1488
PAINTSVILLE , KY 41240-1488

Principal Amount: $41,355.00 **Date of Note: June 9, 2015**

PROMISE TO PAY. SOUTHERN WATER & SEWER DISTRICT ("Borrower") promises to pay to CITIZENS NATIONAL BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of Forty-one Thousand Three Hundred Fifty-five & 00/100 Dollars ($41,355.00), together with interest on the unpaid principal balance from June 9, 2015, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 4.250% per annum based on a year of 360 days, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 23 regular payments of $939.61 each and one irregular last payment estimated at $22,508.05. Borrower's first payment is due July 9, 2015, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on June 9, 2017, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: CITIZENS NATIONAL BANK, PO BOX 1488 PAINTSVILLE, KY 41240-1488.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the total sum due under this Note will continue to accrue interest at the interest rate under this Note.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest



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immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

JURY WAIVER. Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Note has been accepted by Lender in the Commonwealth of Kentucky.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of JOHNSON County, Commonwealth of Kentucky.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

APPRAISAL FEE REIMBURSEMENT. If any adoption of or change in law or regulation, or in the interpretation or administration thereof by any official authority, or any requirement or condition imposed or recommended by any official authority, shall cause Citizens National Bank to obtain one or more updated appraisals of any collateral securing payment of this Note, Customer shall, promptly upon demand by Citizens National Bank, reimburse Citizens National Bank for the cost of each such appraisal.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

SOUTHERN WATER & SEWER DISTRICT

By: Dean Hall

DEAN HALL, MANAGER of SOUTHERN WATER & SEWER DISTRICT

LENDER:

CITIZENS NATIONAL BANK

x Misty Jenkins

Authorized Signer

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00000000100035177%0070%12112018%000MODIFICATION

BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
$235,773.37	12-11-2018	05-24-2019	100035177		Modification	***	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "***" has been omitted due to text length limitations.

Borrower: Southern Water & Sewer District
PO Box 610
McDowell , KY 41647-0610

Lender: First Commonwealth Bank
Main Office
311 North Arnold Avenue
Prestonsburg, KY 41653
(606) 886-2321

THIS BUSINESS LOAN AGREEMENT dated December 11, 2018, is made and executed between Southern Water & Sewer District ("Borrower") and First Commonwealth Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of December 11, 2018, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until May 24, 2019.

ADVANCE AUTHORITY. The following person or persons are authorized to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: **Paula Johnson, Chairman of Southern Water & Sewer District; and Larry Joe Osborne, Treasurer of Southern Water & Sewer District.**

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements and all other documents perfecting Lender's Security Interests; (4) evidence of insurance as required below; (5) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents. In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

Organization. Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 245 Ky Rt 680, McDowell, KY 41647. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

Assumed Business Names. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: **None.**

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when

delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all Security Interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

Hazardous Substances. Except as disclosed to and acknowledged by Lender in writing, Borrower represents and warrants that: (1) During the period of Borrower's ownership of the Collateral, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from any of the Collateral. (2) Borrower has no knowledge of, or reason to believe that there has been (a) any breach or violation of any Environmental Laws; (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Collateral by any prior owners or occupants of any of the Collateral; or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters. (3) Neither Borrower nor any tenant, contractor, agent or other authorized user of any of the Collateral shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from any of the Collateral; and any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations, and ordinances, including without limitation all Environmental Laws. Borrower authorizes Lender and its agents to enter upon the Collateral to make such inspections and tests as Lender may deem appropriate to determine compliance of the Collateral with this section of the Agreement. Any inspections or tests made by Lender shall be at Borrower's expense and for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Borrower or to any other person. The representations and warranties contained herein are based on Borrower's due diligence in investigating the Collateral for hazardous waste and Hazardous Substances. Borrower hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Borrower becomes liable for cleanup or other costs under any such laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Agreement or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release of a hazardous waste or substance on the Collateral. The provisions of this section of the Agreement, including the obligation to indemnify and defend, shall survive the payment of the Indebtedness and the termination, expiration or satisfaction of this Agreement and shall not be affected by Lender's acquisition of any interest in any of the Collateral, whether by foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

Taxes. To the best of Borrower's knowledge, all of Borrower's tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

Binding Effect. This Agreement, the Note, all Security Agreements (if any), and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than ninety (90) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, prepared by Borrower.

Tax Returns. As soon as available, but in no event later than ninety (90) days after the applicable filing date for the tax reporting period ended, Borrower's Federal and other governmental tax returns, prepared by a tax professional satisfactory to Lender.

All financial reports required to be provided under this Agreement shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct.

Additional Information. Furnish such additional information and statements, as Lender may request from time to time.

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least thirty (30) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

Insurance Reports. Furnish to Lender, upon request of Lender, reports on each existing insurance policy showing such information as Lender may reasonably request, including without limitation the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the properties insured; (5) the then current property values on the basis of which insurance has been obtained, and the manner of determining those values; and (6) the expiration date of the policy. In addition, upon request of Lender (however not more often than annually), Borrower will have an independent appraiser satisfactory to Lender determine, as applicable, the actual cash value or replacement cost of any Collateral. The cost of such appraisal shall be paid by Borrower.

Other Agreements. Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party and notify Lender immediately in writing of any default in connection with any other such agreements.

Loan Proceeds. Use all loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (1) the legality of the same shall be contested in good faith by appropriate proceedings, and (2) Borrower shall have established on Borrower's books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with GAAP.

Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Environmental Studies. Promptly conduct and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under applicable federal, state, or local law, rule, regulation, order or directive, at or affecting any property or any facility owned, leased or used by Borrower.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

Compliance Certificates. Unless waived in writing by Lender, provide Lender at least annually, with a certificate executed by Borrower's chief financial officer, or other officer or person acceptable to Lender, certifying that the representations and warranties set forth in this Agreement are true and correct as of the date of the certificate and further certifying that, as of the date of the certificate, no Event of Default exists under this Agreement.

Environmental Compliance and Reports. Borrower shall comply in all respects with any and all Environmental Laws; not cause or permit to exist, as a result of an intentional or unintentional action or omission on Borrower's part or on the part of any third party, on property owned and/or occupied by Borrower, any environmental activity where damage may result to the environment, unless such environmental activity is pursuant to and in compliance with the conditions of a permit issued by the appropriate federal, state or local governmental authorities; shall furnish to Lender promptly and in any event within thirty (30) days after receipt thereof a copy of any notice, summons, lien, citation, directive, letter or other communication from any governmental agency or instrumentality concerning any intentional or unintentional action or omission on Borrower's part in connection with any environmental activity whether or not there is damage to the environment and/or other natural resources.

Additional Assurances. Make, execute and deliver to Lender such promissory notes, mortgages, deeds of trust, security agreements, assignments, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loans and to perfect all Security Interests.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Indebtedness and Liens. (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender contemplated by this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases, (2) sell, transfer, mortgage, assign, pledge, lease, grant a security interest in, or encumber any of Borrower's assets (except as allowed as Permitted Liens), or (3) sell with recourse any of Borrower's accounts, except to Lender.

Continuity of Operations. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) make any distribution with respect to any capital account, whether by reduction of capital or otherwise.

Loans, Acquisitions and Guaranties. (1) Loan, invest in or advance money or assets to any other person, enterprise or entity, (2) purchase, create or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surety or guarantor other than in the ordinary course of business.

Agreements. Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (A) Borrower or any Guarantor is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower or any Guarantor has with Lender; (B) Borrower or any Guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any Guarantor, or in the value of any Collateral securing any Loan; or (D) any Guarantor seeks, claims or otherwise attempts to limit, modify or revoke such Guarantor's guaranty of the Loan or any other loan with Lender.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Loan.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Environmental Default. Failure of any party to comply with or perform when due any term, obligation, covenant or condition contained in any environmental agreement executed in connection with any Loan.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of the Loan is impaired.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after Lender sends written notice to Borrower or Grantor, as the case may be, demanding cure of such default: (1) cure the default within ten (10) days; or (2) if the cure requires more than ten (10) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. Borrower agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Consent to Loan Participation. Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more

participation interests in the Loan to one or more purchasers, whether related or unrelated to Lender. Lender may provide, without any limitation whatsoever, to any one or more purchasers, or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to the Loan, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interests in the Loan and will have all the rights granted under the participation agreement or agreements governing the sale of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligation under the Loan irrespective of the failure or insolvency of any holder of any interest in the Loan. Borrower further agrees that the purchaser of any such participation interests may enforce its interests irrespective of any personal claims or defenses that Borrower may have against Lender.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the Commonwealth of Kentucky without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the Commonwealth of Kentucky.

Choice of Venue. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Floyd County, Commonwealth of Kentucky.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower, or between Lender and any Grantor, shall constitute a waiver of any of Lender's rights or of any of Borrower's or any Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Subsidiaries and Affiliates of Borrower. To the extent the context of any provisions of this Agreement makes it appropriate, including without limitation any representation, warranty or covenant, the word "Borrower" as used in this Agreement shall include all of Borrower's subsidiaries and affiliates. Notwithstanding the foregoing however, under no circumstances shall this Agreement be construed to require Lender to make any Loan or other financial accommodation to any of Borrower's subsidiaries or affiliates.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender.

Survival of Representations and Warranties. Borrower understands and agrees that in extending Loan Advances, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the extension of Loan Advances and delivery to Lender of the Related Documents, shall be continuing in nature, shall be deemed made and redated by Borrower at the time each Loan Advance is made, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means Southern Water & Sewer District and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response,

Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Grantor. The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

Lender. The word "Lender" means First Commonwealth Bank, its successors and assigns.

Loan. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Note. The word "Note" means the Note dated December 11, 2018 and executed by Southern Water & Sewer District in the principal amount of $235,773.37, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Permitted Liens. The words "Permitted Liens" mean (1) liens and security interests securing Indebtedness owed by Borrower to Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehouseman, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by Borrower in the ordinary course of business to secure indebtedness outstanding on the date of this Agreement or permitted to be incurred under the paragraph of this Agreement titled "Indebtedness and Liens"; (5) liens and security interests which, as of the date of this Agreement, have been disclosed to and approved by the Lender in writing; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of Borrower's assets.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

Security Agreement. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED DECEMBER 11, 2018.

THIS AGREEMENT IS GIVEN UNDER SEAL AND IT IS INTENDED THAT THIS AGREEMENT IS AND SHALL CONSTITUTE AND HAVE THE EFFECT OF A SEALED INSTRUMENT ACCORDING TO LAW.

BORROWER:

SOUTHERN WATER & SEWER DISTRICT

By: COPY (Seal)
Paula Johnson, Chairman of Southern Water & Sewer District

By: COPY (Seal)
Larry Joe Osborne, Treasurer of Southern Water & Sewer District

LENDER:

FIRST COMMONWEALTH BANK

By: COPY Rita Slone (Seal)
Rita Slone, Loan Officer

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Attachment 9b

BOND RESOLUTION

SOUTHERN WATER AND SEWER DISTRICT

AUTHORIZING

SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2002

IN THE AMOUNT OF

$2,515,000

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BOND RESOLUTION

RESOLUTION OF THE SOUTHERN WATER AND SEWER DISTRICT, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF $2,515,000 PRINCIPAL AMOUNT OF SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2002 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Southern Water and Sewer District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of $2,515,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by PDR Engineers, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued as second lien bonds, subject to the vested rights and priorities in favor of the owners of the outstanding Prior Bonds, and

WHEREAS, the Public Service Commission of Kentucky has granted to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately $3,657,900, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE SOUTHERN WATER AND SEWER DISTRICT, AS FOLLOWS:

ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.

Section 101. Definitions. As used in this Resolution, unless the context requires otherwise:

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

"ARC Grant" refers to the Appalachian Regional Commission grant described in Section 805 of this Resolution.

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bondowner" or "Owner" refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

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

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Commission" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"Construction Account" refers to the Southern Water and Sewer District Construction Account, created in Section 301(B) of this Current Bond Resolution.

"Contractors" refers to the general contractors who have been employed by the District to construct the Project.

"Current Bond Resolution" or *"Resolution"* refer to this Resolution authorizing the Current Bonds.

"Current Bonds" refers to the $2,515,000 of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Southern Water and Sewer District Sinking Fund of 2002, created in Section 401 of this Resolution.

"Depreciation Fund" refers to the Southern Water and Sewer District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Southern Water and Sewer District of Floyd and Knott Counties, Kentucky.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to PDR Engineers, Inc., or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

"Fiscal Court Contribution" refers to the Floyd County Fiscal Court contribution to the District in the amount of $2,474,000.

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

"Funds" refers to the Construction Account, the Revenue Fund, the Current Sinking Fund, Prior Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"Government" refers to the United States of America, or any agency thereof, including the RD.

"Grant Proceeds" refers to the proceeds of the RD Grant, the ARC Grant, the State Surplus Grant and the Fiscal Court Contribution.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"KIA" refers to the Kentucky Infrastructure Authority, an agency and instrumentality of the Commonwealth of Kentucky.

"1993 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated March 15, 1993, in the original authorized principal amount of $1,383,547.23.

"1995 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated February 21, 1995, in the original authorized principal amount of $616,452.77.

"Local Counsel" refers to Ralph H. Stevens, Esq., Prestonsburg, Kentucky, or any other attorney or firm of attorneys designated by the District.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

"Operation and Maintenance Fund" refers to the Southern Water and Sewer District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

"Prior Bonds" refers collectively to the 1993 KIA Loan and the 1995 KIA Loan.

"Prior Sinking Fund" refers to the Southern Water and Sewer District Waterworks Sinking Fund, described in Section 401 of this Resolution.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the RD grant described in Section 804 of this Resolution.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairman; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the Southern Water and Sewer District Waterworks Revenue Fund, described in Section 401 of this Resolution.

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

"State Surplus Grant" refers to the Commonwealth of Kentucky Grant to the District in the amount of $300,000.

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

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

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

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed $6,172,900. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of $2,515,000 of Current Bonds, based on the following calculation:

Total cost of Project		$6,172,900
Less:		
RD Grant	$450,000	
ARC Grant	433,900	
State Surplus Grant	300,000	
Fiscal Court Contribution	2,474,000	
Total Non-Bond Funds:		(3,657,900)
Balance to be financed by Current Bonds		$2,515,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold $2,515,000 principal amount of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Recognition of Prior Bonds. The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Resolution.

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a second lien basis, after providing for all of the principal and interest requirements of the outstanding Prior Bonds.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2012, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2012, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2011, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of $100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than $140,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed $140,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. Covenants Applicable if RD Purchases Current Bonds. It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. Application of Proceeds of Current Bonds. The proceeds of the Current Bonds shall be applied as follows:

(1) Payment of Interim Financing, Costs of Project and Costs of Issuance. Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) Construction Account. If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Southern Water and Sewer District Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds

may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

(3) **Withdrawal of Funds From Construction Account.** Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairman, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairman (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

(4) **Transfer of Capitalized Interest to Current Sinking Fund.** There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at $92,500) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Current Sinking Fund.

(5) **Investment of Funds in Construction Account.** Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) **Statements of Contractors, Engineers and Attorneys as to Payment.** Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) **Disposition of Balance in Construction Account After Completion of Project.** When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least $100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

A. **Interim Financing.** The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of $2,515,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed $2,515,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of $2,515,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or

otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairman is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all

known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There is hereby created and established in this Resolution the following funds and accounts:

(a) Southern Water and Sewer District Waterworks Revenue Fund
(b) Southern Water and Sewer District Waterworks Sinking Fund of 2002
(c) Southern Water and Sewer District Waterworks Depreciation Reserve Fund
(d) Southern Water and Sewer District Waterworks Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding.

Section 402. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Resolution, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

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

B. **Prior Sinking Fund.** There shall be transferred from the Revenue Fund and deposited into the Prior Sinking Fund for payment of interest on and principal of the Prior Bonds, sums as set forth in the Prior Bond Resolution.

Said Prior Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

C. **Current Sinking Fund.** At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at $92,500) to provide for capitalized interest during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

(1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Current Bonds then outstanding, plus

(2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds, but subject to the vested rights and priorities of the Prior Bonds.

D. Depreciation Fund. Pursuant to the provisions of the Prior Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least $1,165 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least $139,800, which amount shall be maintained, and when necessary, restored to said sum of $139,800, so long as any of the Bonds are outstanding and unpaid.

As further security for the Bondowners and for the benefit of the District, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Depreciation Fund, there shall be deposited into said Depreciation Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

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

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

F. Monthly Principal and Interest Payments if Requested by the RD. So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

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

H. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. Any such investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

Section 403. Current Bonds are Subordinate to the Prior Bonds. It is hereby certified and declared that the Current Bonds shall be subordinate to the lien and pledge of the Prior Bonds on the gross revenues of the System.

ARTICLE 5. COVENANTS OF DISTRICT

Section 501. Rates and Charges. The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the District shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said District by a specific resolution duly adopted.

Section 504. General Covenants. The District, through its Commission, hereby covenants and agrees with the Owners of the Bonds that:

(1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;

(2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;

(3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

(4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding

Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;

(5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and

(6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

(a) the consent of the RD if the Government is as the Owner of the Prior Bonds at that time or the consent of any other Owners of the Prior Bonds, and

(b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

(a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;

(b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

(c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and

(d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

ARTICLE 7. DEFAULT AND CONSEQUENCES

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the District:

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

(b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.

(c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.

(d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.

(e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

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

ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL; MISCELLANEOUS PROVISIONS.

Section 801. Resolution Contractual with Bondowners. The provisions of this Resolution constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of $450,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of ARC Grant Agreement. The Appalachian Regional Commission (the "ARC") has agreed to make a grant to the District in the amount of $433,900 (the "ARC Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the ARC has requested the District to approve, accept and execute a certain ARC Grant Agreement (the "ARC Grant Agreement"), setting out the terms and conditions upon which said ARC Grant will be made. Said ARC Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said ARC Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other ARC Grants offered to the District in connection with the Project and to execute any and all ARC Grant Agreements and any other documents as may be requested by the ARC in connection with ARC Grants which have been and/or which may hereafter be approved for such Project.

Section 806. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

(a) Legal Services Agreement with Bond Counsel.

(b) Legal Services Agreement with Local Counsel.

(c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).

(d) Loan Resolution (RD Form 1780-27).

(e) Agreement for Engineering Services with the Engineers.

Section 807. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks

facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

Section 808. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed $10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this May 20, 2002.

SOUTHERN WATER AND SEWER DISTRICT

Chairman

(Seal of District)

Attest:

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Southern Water and Sewer District of Floyd County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on May 20, 2002, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this May 20, 2002.

Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment
2005	$26,000	2024	$60,000
2006	27,000	2025	63,000
2007	29,000	2026	66,000
2008	30,000	2027	69,000
2009	31,000	2028	72,000
2010	33,000	2029	75,000
2011	34,000	2030	79,000
2012	36,000	2031	82,000
2013	37,000	2032	86,000
2014	39,000	2033	90,000
2015	41,000	2034	94,000
2016	43,000	2035	98,000
2017	44,000	2036	103,000
2018	46,000	2037	107,000
2019	49,000	2038	112,000
2020	51,000	2039	117,000
2021	53,000	2040	122,000
2022	55,000	2041	128,000
2023	58,000	2042	130,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF FLOYD AND KNOTT
SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS,
SERIES 2002

No. R-____ Interest Rate: _____ % $_____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Southern Water and Sewer District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Floyd and Knott Counties, Kentucky, for value received, hereby promises to pay to

_____

the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS ($_____),

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

Year	Principal	Year	Principal	Year	Principal

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised

Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding: (i) Kentucky Infrastructure Authority Loan, dated March 15, 1993 (the "1993 KIA Loan") and (ii) Kentucky Infrastructure Authority Loan, dated February 21, 1995 (the "1995 KIA Loan") [hereinafter the 1993 KIA Loan and the 1995 KIA Loan shall be collectively referred to as the "Prior Bonds"]. Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured on a second lien basis by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the Prior Bonds.

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Southern Water and Sewer District Waterworks Sinking Fund of 2002", created in the Current Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds and/or this Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or its duly authorized

attorney, which transfer shall be noted upon this Bond and upon the registration book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2012, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars ($100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of $100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Southern Water and Sewer District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

SOUTHERN WATER AND SEWER DISTRICT
Floyd County, Kentucky

By_____
Chairman

Attest:

_____
Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

_____

By:_____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002, in the principal amount of $2,515,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Southern Water and Sewer District (the "District") of Floyd and Knott Counties, Kentucky.

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of $_____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Southern Water and Sewer District Construction Account".

4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

SOUTHERN WATER AND SEWER DISTRICT

By_____
Chairman

Approved on _____

Rural Development

By_____
Authorized RD Official

Approved on _____

PDR ENGINEERS, INC.

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Amount expended heretofore $_____

Amount approved herein _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person	Amount

BOND RESOLUTION

SOUTHERN WATER AND SEWER DISTRICT

AUTHORIZING

SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2005

IN THE PRINCIPAL AMOUNT OF

$225,000

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BOND RESOLUTION

RESOLUTION OF THE SOUTHERN WATER AND SEWER DISTRICT, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF $225,000 PRINCIPAL AMOUNT OF SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2005 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Southern Water and Sewer District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of $225,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by O'Brien & Gere Engineers and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued as second lien bonds, subject to the vested rights and priorities in favor of the owners of the outstanding KIA Loans, and

WHEREAS, the District desires and intends that the Current Bonds be issued so as to rank on a parity basis with the 2002 Bonds, and

WHEREAS, the 2002 Bonds were issued to and are now held by the Rural Development of the Department of Agriculture of the United States of America (the "RD"), and

WHEREAS, the RD, as the Owner of the 2002 Bonds, has consented to the issuance by the District of the Current Bonds, and

WHEREAS, the Public Service Commission of Kentucky has granted to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE SOUTHERN WATER AND SEWER DISTRICT, AS FOLLOWS:

ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.

Section 101. Definitions. As used in this Resolution, unless the context requires otherwise:

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

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bondowner" or "Owner" refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"Bonds of 2002" or *"Series 2002 Bonds"* refer to the outstanding Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002, dated December 17, 2002, in the original authorized principal amount of $$2,515,000.

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

"Bond Resolution of 2002" or *"Prior Bond Resolution"* refer to the Resolution authorizing the Bonds of 2002, duly adopted by the Board of Commissioners of the District on May 20, 2002.

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

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Commission" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"Construction Account" refers to the Southern Water and Sewer District Construction Account, created in Section 301(B) of this Current Bond Resolution.

"Contractors" refers to the general contractors who have been employed by the District to construct the Project.

"Current Bond Resolution" or *"Resolution"* refer to this Resolution authorizing the Current Bonds.

"Current Bonds" refers to the $225,000 of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2005 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Southern Water and Sewer District Sinking Fund of 2002, described in Section 401 of this Resolution.

"Depreciation Fund" refers to the Southern Water and Sewer District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Southern Water and Sewer District of Floyd and Knott Counties, Kentucky.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to O'Brien & Gere Engineers, or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

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

"Funds" refers to the Construction Account, the Revenue Fund, the Current Sinking Fund, Prior Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"Government" refers to the United States of America, or any agency thereof, including RD.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"KIA" refers to the Kentucky Infrastructure Authority, an agency and instrumentality of the Commonwealth of Kentucky.

"KIA Loans" refers to the outstanding 1993 KIA Loan and the 1995 KIA Loan.

"1993 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated March 15, 1993, in the original authorized principal amount of $1,383,547.23.

"1995 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated February 21, 1995, in the original authorized principal amount of $616,452.77.

"Local Counsel" refers to Ralph H. Stevens, Esq., Prestonsburg, Kentucky, or any other attorney or firm of attorneys designated by the District.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

"Operation and Maintenance Fund" refers to the Southern Water and Sewer District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

"Prior Bonds" refers collectively to the KIA Loans and the Bonds of 2002.

"Prior Sinking Fund" refers to the Southern Water and Sewer District Waterworks Sinking Fund, described in Section 401 of this Resolution.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures

shall consist of the signatures of (1) the Chairman; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the Southern Water and Sewer District Waterworks Revenue Fund, described in Section 401 of this Resolution.

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

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

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

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

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed $225,000. Therefore, it is hereby

determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of $225,000 of Current Bonds.

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold $225,000 principal amount of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2005.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Recognition of Prior Bonds. The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Resolution.

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a second lien basis, on a parity with the Bonds of 2002, after providing for all of the principal and interest requirements of the outstanding KIA Loans.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2016, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2016, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2015, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of $100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than $152,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed $152,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. Covenants Applicable if RD Purchases Current Bonds. It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. Application of Proceeds of Current Bonds. The proceeds of the Current Bonds shall be applied as follows:

(1) Payment of Interim Financing, Costs of Project and Costs of Issuance. Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of any grant proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) Construction Account. If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Southern Water and Sewer District Construction Account" hereby created, which shall be established at the Depository Bank.

(3) Withdrawal of Funds From Construction Account. Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairman, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairman (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at $1,100) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Current Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or

accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) **Statements of Contractors, Engineers and Attorneys as to Payment.** Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) **Disposition of Balance in Construction Account After Completion of Project.** When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance shall be transferred to the Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least $100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

A. **Interim Financing.** The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of $225,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed $225,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of $225,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairman is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental

title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There was created and established in the 2002 Bond Resolution the following funds and accounts:

(a) Southern Water and Sewer District Waterworks Revenue Fund
(b) Southern Water and Sewer District Waterworks Sinking Fund of 2002
(c) Southern Water and Sewer District Waterworks Depreciation Reserve Fund
(d) Southern Water and Sewer District Waterworks Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding.

Section 402. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Resolution, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

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

B. **Prior Sinking Fund.** There shall be transferred from the Revenue Fund and deposited into the Prior Sinking Fund for payment of interest on and principal of the KIA Loans, sums as set forth in the KIA Loan documentation.

Said Prior Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the KIA Loans.

C. **Current Sinking Fund.** At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at $1,100) to provide for capitalized interest during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

(1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Current Bonds and the Bonds of 2002 then outstanding, plus

(2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds and Bonds of 2002 maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds and the Bonds of 2002, but subject to the vested rights and priorities of the KIA Loans.

D. Depreciation Fund. Pursuant to the provisions of the Prior Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Bonds of 2002, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least $105.00 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least $12,600, which amount shall be maintained, and when necessary, restored to said sum of $12,600, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

As further security for the Bondowners and for the benefit of the District, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Depreciation Fund, there shall be deposited into said Depreciation Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

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

E. Operation and Maintenance Fund. There shall next be transferred month-

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

F. Monthly Principal and Interest Payments if Requested by the RD. So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

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

H. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. Any such investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

Section 403. Current Bonds on a Parity with Bonds of 2002, Subject to Priority of KIA Loans. It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the District (i) a letter from the RD to the effect that the RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Bonds of 2002, all of which are owned by the RD, together with (ii) a certification signed by the RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Bonds of 2002 held by the RD, evidencing the agreement of the RD as the then Owner of the Bonds of 2002, to the issuance of the Current Bonds so as to rank on a parity with the Bonds of 2002, such legend to be in substantially the following form:

> The holder of this Bond has consented to the issuance of $225,000 of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2005 ranking on a parity as to security and source of payment with this Bond.

Accordingly, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with said outstanding Bonds of 2002 from the gross income and revenues of the System, subject to the priority of the KIA Loans.

ARTICLE 5. COVENANTS OF DISTRICT

Section 501. Rates and Charges. The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the District shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said District by a specific resolution duly adopted.

Section 504. General Covenants. The District, through its Commission, hereby covenants and agrees with the Owners of the Bonds that:

(1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;

(2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;

(3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

(4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding

Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;

(5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and

(6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

(a) the consent of the RD if the Government is as the Owner of the Bonds of 2002 at that time or the consent of any other Owners of the Bonds of 2002, and

(b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

(a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;

(b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

(c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and

(d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

ARTICLE 7. DEFAULT AND CONSEQUENCES

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the District:

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

(b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.

(c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.

(d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.

(e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

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

ARTICLE 8. CONTRACTUAL PROVISIONS; MISCELLANEOUS PROVISIONS.

Section 801. Resolution Contractual with Bondowners. The provisions of this Resolution constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

(a) Legal Services Agreement with Bond Counsel.

(b) Legal Services Agreement with Local Counsel.

(c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).

(d) Loan Resolution (RD Form 1780-27).

(e) Agreement for Engineering Services with the Engineers.

Section 805. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

ARTICLE 9. SALE OF CURRENT BONDS

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed $10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this October 24, 2005.

SOUTHERN WATER AND SEWER DISTRICT

Chairman

(Seal of District)

Attest:

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Southern Water and Sewer District of Floyd County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on October 24, 2005, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this October 24, 2005.

Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment
2007	$2,500	2026	$5,500
2008	2,500	2027	5,500
2009	2,500	2028	6,000
2010	3,000	2029	6,000
2011	3,000	2030	6,500
2012	3,000	2031	6,500
2013	3,000	2032	7,000
2014	3,500	2033	7,500
2015	3,500	2034	7,500
2016	3,500	2035	8,000
2017	4,000	2036	8,500
2018	4,000	2037	8,500
2019	4,000	2038	9,000
2020	4,500	2039	9,500
2021	4,500	2040	10,000
2022	4,500	2041	10,000
2023	5,000	2042	10,500
2024	5,000	2043	11,000
2025	5,500	2044	11,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF FLOYD AND KNOTT
SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS,
SERIES 2005

No. R-____ Interest Rate: _____ % $_____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Southern Water and Sewer District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Floyd and Knott Counties, Kentucky, for value received, hereby promises to pay to

_____

the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS ($_____),

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

Year	Principal	Year	Principal	Year	Principal

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised

Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued on a parity with the outstanding Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002, dated December 17, 2002, in the original principal amount of $2,515,000 (the "2002 Bonds"), authorized by a resolution adopted by the District on May 20, 2002 (the "2002 Bond Resolution"), subject to the vested rights and priorities in favor of the owners of the outstanding: (i) Kentucky Infrastructure Authority Loan, dated March 15, 1993 (the "1993 KIA Loan") and (ii) Kentucky Infrastructure Authority Loan, dated February 21, 1995 (the "1995 KIA Loan"). Accordingly, this Bond, the 2002 Bonds and any bonds ranking on a parity therewith, are payable from and secured on a second lien basis by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the KIA Loans.

This Bond has been issued in full compliance with the Current Bond Resolution and the 2002 Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the 2002 Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Southern Water and Sewer District Waterworks Sinking Fund of 2002", created in the 2002 Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the 2002 Bonds and/or this Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the 2002 Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the 2002 Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2015, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars ($100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of $100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Southern Water and Sewer District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

Southern Water and Sewer District

By_____
Chairman

Attest:

_____
Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

_____

By:_____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Southern Water and Sewer District Waterworks Revenue Bonds, Series 2005, in the principal amount of $225,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Southern Water and Sewer District (the "District") of Floyd and Knott Counties, Kentucky.

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of $_____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Southern Water and Sewer District Construction Account".

4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

SOUTHERN WATER AND SEWER DISTRICT

By_____

Approved on _____

Rural Development

By_____
Authorized RD Official

Approved on _____

O'BRIEN & GERE ENGINEERS

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Amount expended heretofore $_____

Amount approved herein _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person	Amount

BOND RESOLUTION

SOUTHERN WATER AND SEWER DISTRICT

AUTHORIZING

SOUTHERN WATER AND SEWER DISTRICT

WATERWORKS REVENUE BONDS, SERIES 2009

IN THE PRINCIPAL AMOUNT OF

$530,000

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BOND RESOLUTION

RESOLUTION OF THE SOUTHERN WATER AND SEWER DISTRICT, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF $530,000 PRINCIPAL AMOUNT OF SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2009 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Southern Water and Sewer District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of $530,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Kentucky Engineering Group, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued subject to the vested rights and priorities in favor of the owners of the outstanding KIA Loans, and

WHEREAS, the District desires and intends that the Current Bonds be issued so as to rank on a parity basis with the Prior RD Bonds, and

WHEREAS, the Prior RD Bonds were issued to and are now held by the Rural Development of the Department of Agriculture of the United States of America (the "RD"), and

WHEREAS, the RD, as the Owner of the Prior RD Bonds, has consented to the issuance by the District of the Current Bonds, and

WHEREAS, the Public Service Commission of Kentucky will grant to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE SOUTHERN WATER AND SEWER DISTRICT, AS FOLLOWS:

ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.

Section 101. Definitions. As used in this Resolution, unless the context requires otherwise:

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

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bondowner" or "Owner" refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"Bonds of 2002" or *"Series 2002 Bonds"* refer to the outstanding Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002, dated December 17, 2002, in the original authorized principal amount of $$2,515,000.

"Bonds of 2005" or *"Series 2005 Bonds"* refer to the outstanding Southern Water and Sewer District Waterworks Revenue Bonds, Series 2005, dated November 3, 2005, in the original authorized principal amount of $$225,000.

"Bonds of 2007" or *"Series 2007 Bonds"* refer to the outstanding Southern Water and Sewer District Waterworks Revenue Bonds, Series 2007, dated May 30, 2007, in the original authorized principal amount of $$589,573.

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

"Bond Resolution of 2002" or *"Prior Bond Resolution"* refer to the Resolution authorizing the Bonds of 2002, duly adopted by the Board of Commissioners of the District on May 20, 2002.

"Bond Resolution of 2005" or *"Prior Bond Resolution"* refer to the Resolution authorizing the Bonds of 2005, duly adopted by the Board of Commissioners of the District on October 24, 2005.

"Bond Resolution of 2007" or *"Prior Bond Resolution"* refer to the Resolution authorizing the Bonds of 2007, duly adopted by the Board of Commissioners of the District on May 24, 2007.

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

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Commission" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"Construction Account" refers to the Southern Water and Sewer District Construction Account, created in Section 301(B) of this Current Bond Resolution.

"Contractors" refers to the general contractors who have been employed by the District to construct the Project.

"Current Bond Resolution" or *"Resolution"* refer to this Resolution authorizing the Current Bonds.

"Current Bonds" refers to the $530,000 of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2009 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Southern Water and Sewer District Sinking Fund of 2002, described in Section 401 of this Resolution.

"Depreciation Fund" refers to the Southern Water and Sewer District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Southern Water and Sewer District of Floyd and Knott Counties, Kentucky.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to Kentucky Engineering Group, Inc., or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

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

"Funds" refers to the Construction Account, the Revenue Fund, the Current Sinking Fund, Prior Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"Government" refers to the United States of America, or any agency thereof, including RD.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"KIA" refers to the Kentucky Infrastructure Authority, an agency and instrumentality of the Commonwealth of Kentucky.

"KIA Loans" refers to the outstanding 1993 KIA Loan, 1995 KIA Loan and 2005 KIA Loan.

"1993 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated March 15, 1993.

"1995 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated February 21, 1995.

"2005 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated January 1, 2005.

"Line of Credit" refers to the First Guaranty Bank line of credit to the District, dated May 2, 2009, in the maximum principal amount of $250,000.

"Local Counsel" refers to Ralph H. Stevens, Esq., Prestonsburg, Kentucky, or any other attorney or firm of attorneys designated by the District.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

"Operation and Maintenance Fund" refers to the Southern Water and Sewer District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

"Prior Bonds" refers collectively to the KIA Loans, the Bonds of 2002, the Bonds of 2005, the Bonds of 2007 and the Line of Credit.

"Prior RD Bonds" refers collectively to the Bonds of 2002, the Bonds of 2005 and the Bonds of 2007.

"Prior RD Bond Resolution" refers collectively to the 2002 Bond Resolution, the 2005 Bond Resolution and the 2007 Bond Resolution.

"Prior Sinking Fund" refers to the Southern Water and Sewer District Waterworks Sinking Fund, described in Section 401 of this Resolution.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the grant to the District from RD in the amount of $229,000.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairperson; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the Southern Water and Sewer District Waterworks Revenue Fund, described in Section 401 of this Resolution.

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

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

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

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

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed $759,000, which includes the RD Grant. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of $530,000 of Current Bonds.

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold $530,000 principal amount of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2009.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Recognition of Prior Bonds. The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds.

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a parity with the Prior RD Bonds, after providing for all of the principal and interest requirements of the outstanding KIA Loans and the Line of Credit.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairperson of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2019, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2019, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2018, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of $100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than $211,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed $211,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. **Covenants Applicable if RD Purchases Current Bonds.** It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. **Application of Proceeds of Current Bonds.** The proceeds of the Current Bonds shall be applied as follows:

(1) **Payment of Interim Financing, Costs of Project and Costs of Issuance.** Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of any grant proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) **Construction Account.** If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall

immediately be deposited in the "Southern Water and Sewer District Construction Account" hereby created, which shall be established at the Depository Bank.

(3) **Withdrawal of Funds From Construction Account.** Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairperson, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairperson (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

(4) **Transfer of Capitalized Interest to Current Sinking Fund.** There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at $7,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Current Sinking Fund.

(5) **Investment of Funds in Construction Account.** Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Chairperson and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits

of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) **Statements of Contractors, Engineers and Attorneys as to Payment.** Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) **Disposition of Balance in Construction Account After Completion of Project.** When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance shall be transferred to the Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least $100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

A. **Interim Financing.** The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of $530,000 from the Interim Lender is hereby authorized; and the Chairperson is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed $530,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of $530,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for

the Project from any Interim Lender at reasonable rates and terms, the Chairperson is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairperson is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairperson and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type

contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There was created and established in the 2002 Bond Resolution the following funds and accounts:

(a) Southern Water and Sewer District Waterworks Revenue Fund
(b) Southern Water and Sewer District Waterworks Sinking Fund of 2002
(c) Southern Water and Sewer District Waterworks Depreciation Reserve Fund
(d) Southern Water and Sewer District Waterworks Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding, subject to the right of the District to appoint a different depository bank.

Section 402. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Resolution, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

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

B. **Prior Sinking Fund.** There shall be transferred from the Revenue Fund and deposited into the Prior Sinking Fund for payment of interest on and principal of the KIA Loans and the Line of Credit.

Said Prior Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the KIA Loans and the Line of Credit.

C. **Current Sinking Fund.** At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at $7,000) to provide for capitalized interest during the construction of the Project, if and to the extent not theretofore expended in paying interest on

interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds and the Prior RD Bonds, a sum equal to the total of the following:

(1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Current Bonds and the Prior RD Bonds then outstanding, plus

(2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds and Prior RD Bonds maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds and the Prior RD Bonds, but subject to the vested rights and priorities of the KIA Loans and the Line of Credit.

D. Depreciation Fund. Pursuant to the provisions of the Prior Bond RD Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior RD Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by RD, there shall next be transferred from the Revenue Fund the sum of at least $190.00 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least $22,800, which amount shall be maintained, and when necessary, restored to said sum of $22,800, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

As further security for the Bondowners and for the benefit of the District, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Depreciation Fund, there shall be deposited into said Depreciation Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extra-ordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and

improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

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

F. Monthly Principal and Interest Payments if Requested by RD. So long as any of the Bonds are held or insured by RD, the District shall, if requested by RD, make the payments required by this Section 402, in monthly installments to RD or to the insured Owners of the Bonds.

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

H. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. Any such investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

Section 403. Current Bonds on a Parity with Prior RD Bonds, Subject to Priority of KIA Loans and the Line of Credit. It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the District (i) a letter from RD to the effect that RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Prior RD Bonds, all of which are owned by RD, together with (ii) a certification signed by RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Prior RD Bonds held by RD, evidencing the agreement of RD as the then Owner of the Prior RD Bonds, to the issuance of the Current Bonds so as to rank on a parity with the Prior RD Bonds, such legend to be in substantially the following form:

> The holder of this Bond has consented to the issuance of $530,000 of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2009 ranking on a parity as to security and source of payment with this Bond.

Accordingly, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with said outstanding Prior RD Bonds from the gross income and revenues of the System, subject to the priority of the KIA Loans and the Line of Credit.

ARTICLE 5. COVENANTS OF DISTRICT

Section 501. Rates and Charges. The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the District shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said District by a specific resolution duly adopted.

Section 504. General Covenants. The District, through its Commission, hereby covenants and agrees with the Owners of the Bonds that:

(1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;

(2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;

(3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

(4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;

(5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and

(6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

(a) the consent of the RD if the Government is as the Owner of the Bonds of 2002 at that time or the consent of any other Owners of the Bonds of 2002, and

(b) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional

series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

(a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;

(b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

(c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and

(d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

ARTICLE 7. DEFAULT AND CONSEQUENCES

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the District:

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

(b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.

(c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.

(d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.

(e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

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

ARTICLE 8. CONTRACTUAL PROVISIONS; MISCELLANEOUS PROVISIONS.

Section 801. Resolution Contractual with Bondowners. The provisions of this Resolu-tion constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating

the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

(a) Legal Services Agreement with Bond Counsel.

(b) Legal Services Agreement with Local Counsel.

(c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).

(d) Loan Resolution (RD Form 1780-27).

(e) Agreement for Engineering Services with the Engineers.

Section 805. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such

easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

ARTICLE 9. SALE OF CURRENT BONDS

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed $10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with

the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this ~~October 26, 2009.~~ November 2, 2009

SOUTHERN WATER AND SEWER DISTRICT

Chairperson

(Seal of District)

Attest:

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Southern Water and Sewer District, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairperson of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on ~~October 26, 2009~~ NOVEMBER 2, 2009, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this ~~October 26, 2009~~ NOVEMBER 2, 2009.

Scarlett K. Stumbo
Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

Payment Due January 1	Principal Payment	Payment Due January 1	Principal Payment
2012	$8,000	2031	$13,500
2013	8,500	2032	14,000
2014	8,500	2033	14,500
2015	9,000	2034	14,500
2016	9,000	2035	15,000
2017	9,500	2036	15,500
2018	9,500	2037	16,000
2019	10,000	2038	16,500
2020	10,000	2039	17,000
2021	10,500	2040	17,500
2022	10,500	2041	18,000
2023	11,000	2042	18,500
2024	11,000	2043	19,000
2025	11,500	2044	19,500
2026	12,000	2045	20,000
2027	12,000	2046	20,500
2028	12,500	2047	21,000
2029	13,000	2048	21,500
2030	13,000	2049	19,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF FLOYD AND KNOTT
SOUTHERN WATER AND SEWER DISTRICT
WATERWORKS REVENUE BONDS,
SERIES 2009

No. R-____ Interest Rate: _____ % $_____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Southern Water and Sewer District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Floyd and Knott Counties, Kentucky, for value received, hereby promises to pay to

_____

the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS ($_____),

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

Year	Principal	Year	Principal	Year	Principal

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued on a parity with the outstanding (i) Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002, dated December 17, 2002, (the "2002 Bonds"), authorized by a resolution adopted by the District on May 20, 2002 (the "2002 Bond Resolution"); (ii) Southern Water and Sewer District Waterworks Revenue Bonds, Series 2005, dated November 3, 2005, (the "2005 Bonds"), authorized by a resolution adopted by the District on October 24, 2005 (the "2005 Bond Resolution"); and (iii) Southern Water and Sewer District Waterworks Revenue Bonds, Series 2007, dated May 30, 2007, (the "2007 Bonds"), authorized by a resolution adopted by the District on May 24, 2007 (the "2007 Bond Resolution")[hereinafter, the 2002 Bonds, 2005 Bonds and 2007 Bonds are collectively referred to as the "Prior RD Bonds" and the 2002 Bond Resolution, 2005 Bond Resolution and 2007 Bond Resolution are collectively referred to as the "Prior RD Bond Resolution"], subject to the vested rights and priorities in favor of the owners of the outstanding: (i) Kentucky Infrastructure Authority Loan, dated March 15, 1993 (the "1993 KIA Loan"); (ii) Kentucky Infrastructure Authority Loan, dated February 21, 1995 (the "1995 KIA Loan"); (iii) Kentucky Infrastructure Authority Loan, dated January 1, 2005 (the "2005 KIA Loan"); and (iv) First Guaranty Bank line of credit to the District, dated May 2, 2009 (the "Line of Credit") [hereinafter the 1993 KIA Loan, 1995 KIA Loan and 2005 KIA Loan are collectively referred to as the "KIA Loans"]. Accordingly, this Bond, the Prior RD Bonds and any bonds ranking on a parity therewith, are payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the KIA Loans and the Line of Credit.

This Bond has been issued in full compliance with the Current Bond Resolution and the Prior RD Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior RD Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Southern Water and Sewer District Waterworks Sinking Fund of 2002", created in the 2002 Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior RD Bonds and/or this Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the

aforesaid Act for the security and source of payment of the Prior RD Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior RD Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2018, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars ($100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of $100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Southern Water and Sewer District, by its Board of Commissioners, has caused this Bond to be executed by its Chairperson, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

Southern Water and Sewer District

By_____
Chairperson

Attest:

_____
Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

_____

By:_____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Southern Water and Sewer District Waterworks Revenue Bonds, Series 2009, in the principal amount of $530,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Southern Water and Sewer District (the "District") of Floyd and Knott Counties, Kentucky.

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of $_____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Southern Water and Sewer District Construction Account".

4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

SOUTHERN WATER AND SEWER DISTRICT

By_____

Approved on _____

Rural Development

By_____
Authorized RD Official

Approved on _____

KENTUCKY ENGINEERING GROUP

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Amount expended heretofore $_____

Amount approved herein _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person	Amount

SUPPLEMENTAL BOND RESOLUTION

RESOLUTION OF THE SOUTHERN WATER AND SEWER DISTRICT SUPPLEMENTING A RESOLUTION PREVIOUSLY ADOPTED BY SAID DISTRICT ON NOVEMBER 2, 2009 RELATING TO THE AUTHORIZATION, ISSUANCE AND SALE OF $530,000 PRINCIPAL AMOUNT OF SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2009; SETTING FORTH ADDITIONAL TERMS, CONDITIONS AND ELECTIONS IN CONNECTION WITH THE ISSUANCE OF SAID BONDS PURSUANT TO THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009.

WHEREAS, the Southern Water and Sewer District (the "District") is in the process of constructing certain extensions, additions and improvements (the "Project") to the waterworks system of the District, said Project being financed, in part, through the issuance of $530,000 of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2009 (the "2009 Bonds"), authorized pursuant to a Resolution adopted by the Board of Commissioners of the District on November 2, 2009 (the "2009 Bond Resolution"), and

WHEREAS, the 2009 Bonds were sold by competitive sale on November 5, 2009 on a tax-exempt basis to the U.S. Department of Agriculture, acting through Rural Development ("RD"), and

WHEREAS, the American Recovery and Reinvestment Act of 2009 ("ARRA") provides for the issuance of "Build American Bonds - Direct Payment" ("BABs") to finance projects commenced on and after February 17, 2009, provided such BABs meet the requirements of ARRA and are issued on or prior to December 31, 2010, and

WHEREAS, in order to have the 2009 Bonds issued as BABs, it is necessary for the District to irrevocably elect to have the provisions of Section 54AA and subsection 54AA(g) of the Internal Revenue Code of 1986, as amended (the "Code") apply to said 2009 Bonds, and

WHEREAS, as a result of the designation of the 2009 Bonds as BABs, the District will receive payments from the U.S. Treasury Department equal to 35% of the interest payments on the 2009 Bonds, and

WHEREAS, it is necessary for the District to supplement the 2009 Bond Resolution in order to evidence the District's irrevocable election to have the 2009 Bonds issued as BABs and further to provide that the District will comply with the ARRA restrictions regarding BABs.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE SOUTHERN WATER AND SEWER DISTRICT AS FOLLOWS:

1. Tax Covenants Relating to 2009 Bonds. The District hereby makes an irrevocable election to designate the 2009 Bonds as "Build America Bonds" under Section 54AA of the Code

and also irrevocably elects to have the provisions of Section 54AA(g) of the Code apply to the 2009 Bonds so that said 2009 Bonds will be deemed "qualified bonds" and the District will receive a refundable credit under Section 6431 of the Code equal to 35% of the stated interest paid on the 2009 Bonds.

Pursuant to the provisions of ARRA, the District covenants and agrees that:

(i) All of the excess of (a) the available project proceeds (as defined in Section 54A of the Code to mean sale proceeds of the 2009 Bonds less not more than 2% of such proceeds used to pay costs of issuance plus investment proceeds thereon), over (b) any amounts in a reasonably required reserve fund (within the meaning of Section 150(a)(3) of the Code) with respect to such issue, shall be used for capital expenditures;

(ii) It shall comply with the requirements of Section 54AA(g) of the Code to assure eligibility of the District for receipt of the direct pay interest credit;

(iii) The issue price (reoffering price) of the 2009 Bonds of the same maturity does not exceed the par amount by more than .25% multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date for such 2009 Bonds; and

(iv) It shall not use or permit the use of any of the funds provided by the 2009 Bonds in such a manner as to, or take or omit to take any action which would, impair the status of the 2009 Bonds as "qualified bonds" under Section 54AA of the Code.

2. 2009 Bonds to be issued as taxable bonds. The 2009 Bonds shall be issued as taxable bonds and accordingly, the interest on the 2009 Bonds shall be includable in gross income for Federal income tax purposes. The District understands that pursuant to Section 54AA of the Code, the 2009 Bonds must meet all of the provisions of the Code relating to tax-exempt bonds and the District covenants and agrees to abide by all of such provisions.

3. District agrees to file necessary forms. The District hereby agrees to file or cause to be filed, in a timely manner, any and all necessary forms required by the Code, including, but not limited to IRS Form 8038-B, Information Return for Build America Bonds and Recovery Zone Economic Development Bonds and IRS Form 8038-CP, Return for Credit Payments for Issuers of Qualified Bonds. The District also agrees to complete and file or cause to be filed, in a timely manner, any and all other form and questionnaires received by the District, including, but not limited to IRS Form 14127, Direct Pay Bonds Compliance Questionnaire.

4. Post compliance agreement. The District hereby agrees to enter into a post compliance agreement, if necessary in the opinion of Rubin & Hays, Bond Counsel, in order to assure the continued compliance with all present and future requirements of the Code relating to BABs.

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

6. Effective Date of Resolution. This Resolution shall take effect from and after its adoption and approval.

Introduced, read and adopted by the Board of Commissioners of the District on August 30, 2010.

Southern Water and Sewer District

By _____
Chairperson

(Seal of District)

Attest:

_____
Secretary

CERTIFICATE OF SECRETARY

I, the undersigned, the duly qualified and acting Secretary of the Southern Water and Sewer District, do hereby certify that the foregoing is a true and correct copy of a Resolution which was read and adopted by the Board of Commissioners of said District on August 30, 2010, that said Resolution was then placed on file in my office for public inspection in its completed form, was executed by the Chairperson and attested by the Secretary, and that said Resolution has been duly recorded in the official records of the District, as shown by the official records of said District in my custody and under my control. I further certify that said meeting was either a regular or special meeting, duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823, that a quorum was present at such meeting, that said Resolution has not been modified, amended, revoked or repealed, and that the same is now in full force and effect.

IN WITNESS WHEREOF, I have hereto set my hand as Secretary and the official seal of the District this August 30, 2010.

_____
Secretary

(Seal of District)

BOND RESOLUTION

SOUTHERN WATER AND SEWER DISTRICT

AUTHORIZING

SOUTHERN WATER AND SEWER DISTRICT

WATERWORKS REVENUE BONDS, SERIES 2015

IN THE PRINCIPAL AMOUNT OF

$1,773,000

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BOND RESOLUTION

RESOLUTION OF THE SOUTHERN WATER AND SEWER DISTRICT, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF $1,773,000 PRINCIPAL AMOUNT OF SOUTHERN WATER AND SEWER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2015 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Southern Water and Sewer District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of $1,773,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Kentucky Engineering Group, PLLC and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued subject to the vested rights and priorities in favor of the owners of the outstanding KIA Loans and Line of Credit, and

WHEREAS, the District desires and intends that the Current Bonds be issued so as to rank on a parity basis with the Prior RD Bonds, and

WHEREAS, the Prior RD Bonds were issued to and are now held by the United States Department of Agriculture, acting through Rural Development ("RD"), and

WHEREAS, the RD, as the Owner of the Prior RD Bonds, has consented to the issuance by the District of the Current Bonds, and

WHEREAS, the Kentucky Public Service Commission will grant to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE SOUTHERN WATER AND SEWER DISTRICT, AS FOLLOWS:

ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.

Section 101. Definitions. As used in this Resolution, unless the context requires otherwise:

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

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bondowner" or "Owner" refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"Bonds of 2002" or *"Series 2002 Bonds"* refer to the outstanding Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002, dated December 17, 2002, in the original authorized principal amount of $2,515,000.

"Bonds of 2005" or *"Series 2005 Bonds"* refer to the outstanding Southern Water and Sewer District Waterworks Revenue Bonds, Series 2005, dated November 3, 2005, in the original authorized principal amount of $225,000.

"Bonds of 2007" or *"Series 2007 Bonds"* refer to the outstanding Southern Water and Sewer District Waterworks Revenue Bonds, Series 2007, dated May 30, 2007, in the original authorized principal amount of $589,573.

"Bonds of 2009" or *"Series 2009 Bonds"* refer to the outstanding Southern Water and Sewer District Taxable Waterworks Revenue Bonds, Series 2009 (Build America Bonds - Direct Payment), dated November 4, 2010, in the original authorized principal amount of $530,000.

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds and the Parity Bonds.

"Bond Resolution of 2002" or *"2002 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2002, duly adopted by the Board of Commissioners of the District on May 20, 2002.

"Bond Resolution of 2005" or *"2005 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2005, duly adopted by the Board of Commissioners of the District on October 24, 2005.

"Bond Resolution of 2007" or *"2007 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2007, duly adopted by the Board of Commissioners of the District on May 24, 2007.

"Bond Resolution of 2009" or *"2009 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2009, duly adopted by the Board of Commissioners of the District on October 26, 2009.

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

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Commission" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"Construction Account" refers to the Southern Water and Sewer District Construction Account, created in Section 301(B) of this Current Bond Resolution.

"Contractors" refers to the general contractors who have been employed by the District to construct the Project.

"Current Bond Resolution" or *"Resolution"* refer to this Resolution authorizing the Current Bonds.

"Current Bonds" refers to the $1,773,000 of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2015 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Southern Water and Sewer District Sinking Fund of 2002, described in Section 401 of this Resolution.

"Depreciation Fund" refers to the Southern Water and Sewer District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Southern Water and Sewer District of Floyd and Knott Counties, Kentucky.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to Kentucky Engineering Group, PLLC, or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

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

"Funds" refers to the Construction Account, the Revenue Fund, the Current Sinking Fund, Prior Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"Government" refers to the United States of America, or any agency thereof, including RD.

"Grant Proceeds" refers to the proceeds of the RD Grant.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"KIA" refers to the Kentucky Infrastructure Authority, an agency and instrumentality of the Commonwealth of Kentucky.

"KIA Loans" refers to the outstanding 1993 KIA Loan, 1995 KIA Loan, 2005 KIA Loan and 2012 KIA Loan.

"1993 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated March 15, 1993.

"1995 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated February 21, 1995.

"2005 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated January 1, 2005.

"2012 KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan, dated September 1, 2012.

"Line of Credit" refers to the First Guaranty Bank line of credit to the District, dated May 2, 2009, in the maximum principal amount of $250,000.

"Local Counsel" refers to Ralph H. Stevens, Esq., Prestonsburg, Kentucky, or any other attorney or firm of attorneys designated by the District.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

"Operation and Maintenance Fund" refers to the Southern Water and Sewer District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

"Prior Bonds" refers collectively to the KIA Loans, the Bonds of 2002, the Bonds of 2005, the Bonds of 2007, the Bonds of 2009 and the Line of Credit.

"Prior RD Bonds" refers collectively to the Bonds of 2002, the Bonds of 2005, the Bonds of 2007 and the Bonds of 2009.

"Prior RD Bond Resolution" refers collectively to the 2002 Bond Resolution, the 2005 Bond Resolution, the 2007 Bond Resolution and the 2009 Bond Resolution.

"Prior Sinking Fund" refers to the Southern Water and Sewer District Waterworks Sinking Fund, described in Section 401 of this Resolution.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the RD grant described in Section 804 of this Resolution.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairperson; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"Revenue Fund" refers to the Southern Water and Sewer District Waterworks Revenue Fund, described in Section 401 of this Resolution.

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

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

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

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

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed $3,190,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of $1,773,000 of Current Bonds, based on the following calculation:

Total cost of Project		$3,190,000
Less:		
RD Grant	$1,417,000	
Total Non-Bond Funds:		(1,417,000)
Balance to be financed by Current Bonds		$1,773,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold $1,773,000 principal amount of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2015.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Recognition of Prior Bonds. The District hereby expressly recognizes and acknowledges that the District has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds.

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a parity with the Prior RD Bonds, after providing for all of the principal and interest requirements of the outstanding KIA Loans and the Line of Credit.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairperson of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2026, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2026, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2025, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of $100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than $293,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of RD. Whenever sums in the Funds shall exceed $293,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of RD.

A. **Covenants Applicable if RD Purchases Current Bonds.** It is acknowledged that all covenants herein with reference to the necessity for approval of RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if RD is the Purchaser of the Current Bonds and only so long as RD holds the Current Bonds thereafter. In the event that RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. **Application of Proceeds of Current Bonds.** The proceeds of the Current Bonds shall be applied as follows:

(1) **Payment of Interim Financing, Costs of Project and Costs of Issuance.** Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of any grant proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) **Construction Account.** If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Southern Water and Sewer District Construction Account" hereby created, which shall be established at the Depository Bank.

(3) Withdrawal of Funds From Construction Account. Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairperson, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairperson (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at $40,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Current Sinking Fund.

(5) Investment of Funds in the Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Chairperson and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit or savings accounts may be made only in such

Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) Disposition of Balance in Construction Account After Completion of Project. When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance shall be transferred to the Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least $100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of $1,773,000 from the Interim Lender is hereby authorized; and the Chairperson is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed $1,773,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of $1,773,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairperson is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairperson is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairperson and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There was created and established in the 2002 Bond Resolution the following funds and accounts:

(a) Southern Water and Sewer District Waterworks Revenue Fund
(b) Southern Water and Sewer District Waterworks Sinking Fund of 2002
(c) Southern Water and Sewer District Waterworks Depreciation Reserve Fund
(d) Southern Water and Sewer District Waterworks Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding, subject to the right of the District to appoint a different depository bank.

Section 402. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Resolution, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

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

B. Prior Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Prior Sinking Fund for payment of interest on and principal of the KIA Loans and the Line of Credit.

Said Prior Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the KIA Loans and the Line of Credit.

C. Current Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at $40,000) to provide for capitalized interest during

the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds and the Prior RD Bonds, a sum equal to the total of the following:

(1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Current Bonds and the Prior RD Bonds then outstanding, plus

(2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds and Prior RD Bonds maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds and the Prior RD Bonds, but subject to the vested rights and priorities of the KIA Loans and the Line of Credit.

D. Depreciation Fund. Pursuant to the provisions of the Prior Bond RD Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior RD Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by RD, there shall next be transferred from the Revenue Fund the sum of at least $675 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least $81,000, which amount shall be maintained, and when necessary, restored to said sum of $81,000, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

As further security for the Bondowners and for the benefit of the District, it has been and is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Depreciation Fund, there shall be deposited into said Depreciation Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extra-ordinary maintenance, repairs, renewals and replacements not included in the annual budget of

current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

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

F. Monthly Principal and Interest Payments if Requested by RD. So long as any of the Bonds are held or insured by RD, the District shall, if requested by RD, make the payments required by this Section 402, in monthly installments to RD or to the insured Owners of the Bonds.

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

H. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

Any investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

Section 403. Current Bonds on a Parity with Prior RD Bonds, Subject to Priority of KIA Loans and the Line of Credit. It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the District (i) a letter from RD to the effect that RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Prior RD Bonds, all of which are owned by RD, together with (ii) a certification signed by RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Prior RD Bonds held by RD, evidencing the agreement of RD as the then Owner of the Prior RD Bonds, to the issuance of the Current Bonds so as to rank on a parity with the Prior RD Bonds, such legend to be in substantially the following form:

> The holder of this Bond has consented to the issuance of $1,773,000 of Southern Water and Sewer District Waterworks Revenue Bonds, Series 2015 ranking on a parity as to security and source of payment with this Bond.

Accordingly, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with said outstanding Prior RD Bonds from the gross income and revenues of the System, subject to the priority of the KIA Loans and the Line of Credit.

ARTICLE 5. COVENANTS OF DISTRICT

Section 501. Rates and Charges. The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in the Prior Bond Resolution or this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the District shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said District by a specific resolution duly adopted.

Section 504. General Covenants. The District, through its Commission, hereby covenants and agrees with the Owners of the Bonds that:

(1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;

(2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;

(3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

(4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;

(5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and

(6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

(a) the consent of RD if the Government is as the Owner of the Prior RD Bonds at that time or the consent of any other Owners of the outstanding Bonds, and

(b) the consent of (1) RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional

series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

(a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;

(b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

(c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and

(d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

ARTICLE 7. DEFAULT AND CONSEQUENCES

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the District:

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

(b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.

(c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.

(d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.

(e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

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

ARTICLE 8. CONTRACTUAL PROVISIONS; MISCELLANEOUS PROVISIONS.

Section 801. Resolution Contractual with Bondowners. The provisions of this Resolu-tion constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of $1,417,700 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

(a) Legal Services Agreement with Bond Counsel.

(b) Legal Services Agreement with Local Counsel.

(c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).

(d) Loan Resolution (RD Form 1780-27).

(e) Agreement for Engineering Services with the Engineers.

Section 806. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

Section 807. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to revise the principal maturities dates, applicable prepayment date or any other dates, the District may adjust the same by written consent of the Chairman and the Purchaser.

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed $10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the District as to any such

rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this June 22, 2015.

SOUTHERN WATER AND SEWER DISTRICT

Chairperson

(Seal of District)

Attest:

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Southern Water and Sewer District, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairperson of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on June 22, 2015, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825, that a quorum was present at said meeting, that said Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this June 22, 2015.

Barry Hall
Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

Payment Due January 1	Principal Payment	Payment Due January 1	Principal Payment
2017	$23,000	2036	$42,500
2018	24,000	2037	44,000
2019	25,000	2038	45,500
2020	25,500	2039	47,000
2021	26,500	2040	48,500
2022	27,500	2041	50,000
2023	28,000	2042	51,500
2024	29,000	2043	53,500
2025	30,000	2044	55,000
2026	31,000	2045	57,000
2027	32,000	2046	58,500
2028	33,000	2047	60,500
2029	34,000	2048	62,500
2030	35,000	2049	64,500
2031	36,500	2050	66,500
2032	37,500	2051	69,000
2033	38,500	2052	71,000
2034	40,000	2053	73,500
2035	41,500	2054	76,000
		2055	79,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
SOUTHERN WATER AND SEWER DISTRICT
WATERWORKS REVENUE BONDS,
SERIES 2015

No. R-____ Interest Rate: _____ % $_____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Southern Water and Sewer District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Floyd and Knott Counties, Kentucky, for value received, hereby promises to pay to

_____

the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS ($_____),

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

Year	Principal	Year	Principal	Year	Principal

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued on a parity with the outstanding (i) Southern Water and Sewer District Waterworks Revenue Bonds, Series 2002, dated December 17, 2002, (the "2002 Bonds"), authorized by a resolution adopted by the District on May 20, 2002 (the "2002 Bond Resolution"); (ii) Southern Water and Sewer District Waterworks Revenue Bonds, Series 2005, dated November 3, 2005, (the "2005 Bonds"), authorized by a resolution adopted by the District on October 24, 2005 (the "2005 Bond Resolution"); (iii) Southern Water and Sewer District Waterworks Revenue Bonds, Series 2007, dated May 30, 2007, (the "2007 Bonds"), authorized by a resolution adopted by the District on May 24, 2007 (the "2007 Bond Resolution"); and (iv) Southern Water and Sewer District Taxable Waterworks Revenue Bonds, Series 2009 (Build America Bonds - Direct Payment), dated November 4, 2010, (the "2009 Bonds"), authorized by a resolution adopted by the District on October 26, 2009 (the "2009 Bond Resolution")[hereinafter, the 2002 Bonds, 2005 Bonds, 2007 Bonds and 2009 Bonds are collectively referred to as the "Prior RD Bonds" and the 2002 Bond Resolution, 2005 Bond Resolution, 2007 Bond Resolution and 2009 Bond Resolution are collectively referred to as the "Prior RD Bond Resolution"], subject to the vested rights and priorities in favor of the owners of the outstanding: (i) Kentucky Infrastructure Authority Loan, dated March 15, 1993 (the "1993 KIA Loan"); (ii) Kentucky Infrastructure Authority Loan, dated February 21, 1995 (the "1995 KIA Loan"); (iii) Kentucky Infrastructure Authority Loan, dated January 1, 2005 (the "2005 KIA Loan"); (iv) Kentucky Infrastructure Authority Loan, dated September 1, 2012 (the "2012 KIA Loan"); and (v) First Guaranty Bank line of credit to the District, dated May 2, 2009 (the "Line of Credit") [hereinafter the 1993 KIA Loan, the 1995 KIA Loan, the 2005 KIA Loan and the 2012 KIA Loan are collectively referred to as the "KIA Loans"]. Accordingly, this Bond, the Prior RD Bonds and any bonds ranking on a parity therewith, are payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the KIA Loans and the Line of Credit.

This Bond has been issued in full compliance with the Current Bond Resolution and the Prior RD Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior RD Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Southern Water and Sewer District Waterworks Sinking Fund of 2002", created in the 2002 Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior RD Bonds and/or this Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior RD Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior RD Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2025, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars ($100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of $100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the

face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Southern Water and Sewer District, by its Board of Commissioners, has caused this Bond to be executed by its Chairperson, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

Southern Water and Sewer District

By_____
Chairperson

Attest:

_____
Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

EXHIBIT C

REQUISITION CERTIFICATE

Re: Southern Water and Sewer District Waterworks Revenue Bonds, Series 2015, in the principal amount of $1,773,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Southern Water and Sewer District (the "District").

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of $_____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Southern Water and Sewer District Construction Account".

4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

Southern Water and Sewer District

By_____

Approved on _____

USDA, Rural Development

By_____
Authorized RD Official

Approved on _____

Kentucky Engineering Group, Pllc

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Amount expended heretofore $_____

Amount approved herein _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person	Amount

Attachment 9c

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND B2

PROJECT NUMBER	B293-01
BORROWER:	Beaver-Elkhorn Water District
BORROWER'S ADDRESS	P.O. Box 769
	Martin, Kentucky 41649
DATE OF ASSISTANCE AGREEMENT:	March 1, 1993

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of the Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency"):

W I T N E S S E T H

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Program as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of Projects, as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize and manage the resources of the Commonwealth of Kentucky (the "Commonwealth") for the protection and preservation of the health, safety, convenience, and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of September 1, 1989 (the "Indenture") between the Authority and First Kentucky Trust Company (the "Trustee") in order to provide funding for its Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to acquire, construct, and finance the Project, as hereinafter defined, and the Authority has determined that the Project is a Project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the purpose of securing from the Authority the repayable Loan hereinafter identified; and

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained to levy, collect, and enforce and remit adequate Service Charges, as hereinafter defined, for the services provided by the Governmental Agency's System, as hereinafter defined, and to apply the necessary portion of said Service Charges to the repayment of the Loan and the interest thereon, as hereinafter specifically provided; and

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

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

ARTICLE I

DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Agency and its Project.

"Act" shall mean Chapter 224A of the Kentucky Revised Statutes, as amended.

"Administrative Fee" means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Project Specifics.

"Assistance Agreement" shall mean this agreement made and entered into by and between a Governmental Agency and the Authority, as authorized by the Act, providing for a Loan to the Governmental Agency by the Authority, and for the repayment thereof to the Authority by the Governmental Agency.

"Authority" shall mean the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky, or such other designation as may be effected by future amendments to the Act.

"Bond" or "Bonds" or "Revenue Bonds" shall mean any Kentucky Infrastructure Authority Bond or Bonds, or the issue of such Bonds, as the case may be, authenticated and delivered under the Indenture.

"Business Day" shall mean any day other than a Saturday, Sunday or other legal holiday on which the general offices of the Commonwealth are closed.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"Commonwealth" shall mean the Commonwealth of Kentucky.

"Construction" shall mean construction as defined in the Act.

"Debt Obligations" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

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

"Governmental Agency" shall mean any agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate a Project, including specifically but not by way of limitation, incorporated cities, counties, sanitation districts, water districts, public authorities, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any other agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of the Commonwealth having and possessing such described powers; and for the purposes of this Assistance Agreement shall mean the Governmental Agency identified in the Project Specifics.

"Indenture" shall mean the General Trust Indenture dated as of September 1, 1989 between the Authority and the Trustee.

"Loan" shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Project Specifics, for the purpose of defraying the costs incidental to the Construction of the Project.

"Loan Rate" means the rate of interest identified in the Schedule of Payments.

"Person" shall mean any individual, firm, partnership, association, corporation or Governmental Agency.

"Program" shall mean the program authorized by KRS 224A.112 and the Indenture as the "infrastructure revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

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

"Project Specifics" means those specific details of the Project identified in Exhibit A hereto, all of which are incorporated by reference in this Assistance Agreement.

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

"Schedule of Payments" means the principal and interest requirements of the Loan as set forth in Exhibit F hereto, to be established and agreed to upon or prior to the completion of the Project.

"Schedule of Service Charges" shall mean those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, and such other revenues identified in Exhibit C from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority prior to the disbursement of any portion of the Loan hereunder.

"Service Charges" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the Project which Service Charges arises by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charge shall be no less than those set forth in the Schedule of Service Charges.

"System" shall mean the utility system owned and operated by the Governmental Agency of which the Project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Governmental Agency as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and Authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(D) The authorization, execution and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of the Governmental Agency. The Governmental Agency hereby represents and warrants for the benefit of the Authority as follows:

(A) The Governmental Agency is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement and consummate the transactions contemplated hereby.

(B) The negotiation, execution and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Agency.

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(D) There is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

(F) Attached hereto as Exhibit D is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Governmental Agency approving and authorizing the execution and delivery of this Assistance Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout;

such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(G) All actions taken by the Governmental Agency in connection with this Assistance Agreement and the Loan described herein and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, KRS 61.805 to 61.850.

(H) The Governmental Agency has all licenses, permits and other governmental approvals (including but not limited to all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate and maintain the Project, to charge and collect the Service Charges and to enter into this Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power and authority to perform the acts and things as provided for in this Assistance Agreement.

(I) Legal counsel to the Governmental Agency has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit E hereto.

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Project under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics, subject to such adjustments as may be set forth in the Schedule of Payments. Principal payments shall be made semiannually in the amounts and on the dates to be established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the Repayment Term set forth in the Project Specifics, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable on the Interest Payment Dates set forth in the Project Specifics, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; subject to the requirements set forth in Article IV hereof.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Repay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall

advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority, if requested, appropriate documentation, satisfactory to the Authority, in its sole discretion, indicating the following:

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

(B) All real estate and interest in real estate and all personal property constituting the Project and the Project sites heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by either the lump-sum (fixed price) or unit price contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Authority.

(G) Duly authorized representatives of the Authority and such other agencies of the Commonwealth as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the contruction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, and any other participating federal or state agency, the Engineers, and all construction contractors. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers.

Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Authority and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers to the Governmental Agency and approved by state and federal agencies, but only to the extent such approvals may be required.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority noting the participation of the Authority in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority, acting by and through its duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state grants.

(R) The Governmental Agency shall require that any bid for any portion of the Construction of the Project be accompanied by a bid bond, certified check or other negotiable

instrument payable to the Governmental Agency, as assurance that the bidder will, upon acceptance of such bid, execute the necessary contractual documents within the required time.

(S) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(T) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor, shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(U) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Authority, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(V) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect as of the submission of the initial Requisition for Funds.

Section 4.2. Disbursements of Loan; Requisition for Funds. The Governmental Agency may submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) a Requisition for Funds during the first ten days of each month (or such other designated period as is acceptable

to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursment and which have not been identified in any previous requisition form.

(D) The contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for payment by the Authority directly to the contractor.

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

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". On or before each payment date identified in the Schedule of Payments, the Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to ten percent (10%) of the amount of such Loan payment until the amount on deposit in such fund is equal to five percent (5%) of the original principal amount of the Loan (the "Required Balance"). Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the costs of replacing worn or obsolete portions of the Project. If amounts are withdrawn from such fund, the Governmental Agency shall again make the periodic deposits hereinabove required until the Required Balance is reinstated.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspection. The Governmental Agency hereby irrevocably convenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribed, charge and collect the Service Charges set forth in Exhibit C hereto for the services of the Project as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement.

(B) That it will furnish to the Authority not less than annually reports of the operations and income and revenues of the Project, and will permit authorized agents of the Authority to inspect all records, accounts and data of the Project at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

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

Section 5.9. Termination of Water Services to Delinquent Users. In the event the Project consists of water facilities the Governmental Agency covenants and agrees that it shall, pursuant to applicable provisions of law, to the maximum extent authorized by law, enforce and collect the Service Charges imposed upon users of the Project and facilities constituting the System, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the

funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the System, which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independant certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principals on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

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

Section 6.10. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not sell, mortgage, or in any manner dispose of, or surrender

control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 6.11. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.4. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.5. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political

subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.6. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.7. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal inquiry, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.8. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.9. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement, and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.10. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.10, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing, the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Schedule of Payments to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5. Consent to Powers of Authority Under Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrance of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

Section 8.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the nondefaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2. Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue to full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, nor assignable by either parties without the written consent of the other party.

Section 9.5. Severability. In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.7. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

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

Section 9.9. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:

Marilyn Eaton-Thomas

Title Secretary / Treas

KENTUCKY INFRASTRUCTURE AUTHORITY

By W. Illegible Brown

Title Exec Director

ATTEST:

By: Marilyn Hackworth

Title: Secretary

GOVERNMENTAL AGENCY:
BEAVER-ELKHORN WATER DISTRICT

By: Illegible

Title: Chairman

APPROVED:

SECRETARY/FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY

EXAMINED:

Peck Shaffer & Williams

LEGAL COUNSEL TO THE KENTUCKY INFRASTRUCTURE AUTHORITY

EXHIBIT A
PROJECT SPECIFICS
B293-01

NAME:	Beaver-Elkhorn Water District	
CONTACT PERSON:	Ernie Moore, Chairman	
ADDRESS:	P.O. Box 769 Martin, Kentucky 41649	
TELEPHONE:	606-358-3491 or Eric Ratliff Big Sandy ADD 503 South Lake Drive Prestonsburg, Kentucky 41653 606-886-2374	
ENGINEER:	**NAME:**	Howard K. Bell
	ADDRESS:	354 Waller Avenue P.O. Box 546 Lexington, Kentucky 40585-0546
	CONTACT:	Bill McDonald
	TELEPHONE:	606-278-5412

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	$10,000/$500,000
Death or Personal Injury (per occurrence)	$10,000/$500,000
Property Damage on System	$500,000

ADMINISTRATIVE FEE: .20%

DEFAULT RATE: 10%

PROJECT COST BREAKDOWN:

Acquisition		$ 4,000
Construction		
water distribution	$ 477,778	
water storage	415,293	893,071
Engineering		
design	$ 61,850	
inspection	43,000	104,850
Legal		5,000
Planning		2,000
Administration		11,750
Contingencies		25,029
TOTAL		$1,045,700

SERVICE CHARGE PAYMENT PERIOD: Monthly

PAYMENT DATES: The December 1 or June 1 succeeding the project completion date which is at least three months, but no more than nine months, after the project completion date.

LOAN RATE: 3.0%

LOAN AMOUNT: $545,700

FINAL LOAN TERM (APPROXIMATELY): 30 Years

ESTIMATED ANNUAL DEBT SERVICE:

$ 27,716	annual debt service
1,091	administrative fee
2,772	coverage for maintenance
$ 31,579	Total

OTHER FINANCING SOURCES:

Schools Contribution/Tap Fee $ 500,000

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

Debtor's Obligations: As of year end 1991

Waterworks System Revenue Bonds, Series A of 1972; Original issue amount - $558,000; Amount outstanding - $436,000; Final maturity date - 2021; Bonds bear interest at a rate of 4.125% and interest is payable on April 1 and October 1 of each year.

Waterworks System Revenue Bonds, Series B & C of 1972; Original issue amount - $185,000; Bonds mature serially beginning in 2007; Annual debt service requirement until 2007 - $11,840, thereafter - $38,000. The bonds bear interest at a rate of 6.4% and interest is payable on April 1 and October 1 of each year.

First Guaranty bank Note of 1986; Amount outstanding - $11,820; Annual debt service requirement - $10,668.

First Guaranty bank Note of 1991; Amount outstanding - $6,734; Annual debt service $3,012.

PROJECT DESCRIPTION

On September 16, 1991, the Kentucky Infrastructure Authority Board approved a loan in the amount of $4,262,372 and a grant in the amount of $2,000,000 to the Beaver-Elkhorn Water District for upgrading the water treatment plant and construction of several water lines to serve approximately 1,501 potential residences. Since the approval there has arisen a need to split the project into two phases to allow Phase I to go forward. We are presenting Phase I for approval with the intent to present Phase II in the near future.

Phase I will supply needed water storage capacity and adequate pressure to the Right Beaver water system. This will benefit several schools including Allen Central High School and Duff Elementary School. In addition, the Left Beaver water system will be extended approximately two miles from Price to Buckingham. As a result, the new Left Beaver High School will be served and part of the line will be provided in order to be able to serve Melvin and Weeksbury in Phase II. Construction will include three new pump stations.

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED _____

Request No. _____ Dated _____

ORIGINAL SENT TO: Kentucky Infrastructure Authority
Room 075, Capitol Annex
Frankfort, Kentucky 40601

COPY SENT TO: Ms. Nancy Sanders
Director, Community Programs
Department for Local Government
1024 Capitol Center Drive
Frankfort, Kentucky 40601

FROM: _____ ("Govenmental Agency")

Gentlemen:

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of facilities described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling $_____.

Documentation supporting the expenses incurred and identified per this request are attached.

ELIGIBLE PROJECT EXPENSES INCURRED

Contractor	Expenses this Request	Expenses to Date
Total		

ALLOCATION OF FUNDING FOR EXPENSES

Funding Source	Portion of Expenses this Request	Portion of Expenses Total to Date

Totals

The Governmental Agency certifies it has also paid Project expenses or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

Funding Source	Amount of Payment or Requisition	Date of Payment or Requisition

Respectfully submitted,

_____

Governmental Agency

By _____

Title _____

Certificate of Consulting Engineers as to Payment Request

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

_____

Engineer/Consultant

_____

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

Form For Filing Rate Schedules

For Entire Area Served
Community, Town or City

P. S. C. NO. 2

SHEET NO. 1

BEAVER-ELKHORN WATER DISTRICT
Name of Issuing Corporation

CANCELLING P. S. C. NO. 1

SHEET NO. 1

CLASSIFICATION OF SERVICE

		RA PER U
RATE SCHEDULE: Applicable in all territory served by Company.		
AVAILABILITY OF SERVICE: For all residential and commercial purposes.		
RATE	First 1,000 gallons	$9.75
	Next 19,000 gallons per 1,000 gallons	1.75
	Next 30,000 gallons per 1,000 gallons	1.60
	Next 50,000 gallons per 1,000 gallons	1.35
	Over 100,000 gallons per 1,000 gallons	1.20
	Wholesale rate per 1,000 gallons	1.20
MINIMUM BILL		9.75

ATE OF ISSUE November 28, 1989 DATE EFFECTIVE November 20, 1989

SUED BY _____ TITLE Chairman
Name of Officer

Issued by authority of an Order of the Public Service Commission of Kentucky in

For ENTIRE AREA SERVED
Community, Town or City

P. S. C. NO. 1

2nd Revised SHEET NO. 1

CANCELLING P. S. C. NO. 1

2nd Revised SHEET NO. 1

BEAVER-ELKHORN WATER DISTRICT
Name of Issuing Corporation

RULES AND REGULATIONS

1. All billing shall be in accordance with tariffs as approved by the Public Service Commission.

2. Meters shall be read, recorded and customers billed once each month.

3. Past due accounts are shown as arrears on customer's billing card.

4. Notice to discontinue service for non-payment of billing shall be given as directed under rules and regulations of Public Service Commission.

5. Estimated billing due to malfunction of meter shall be noted "Estimated Billing" on customer's billing card.

6. Re-installation charges for restoring service, when customer has had service discontinued or service has been discontinued for non-payment of account, a $25.00 charge will be made.

7. Customer tap on fee for initial new service shall be as follows:

5/8 x 3/4"	Service	$425.00
3/4"	Service	450.00

All over 3/4" tap fee based on actual cost of installation.

8. Customer charge to verify meter reading, if found accurate a charge of $25.00. Verification of meter accuracy challenged by customer, tested and found accurate a charge of $25.00; if found in error adjustment to be made and no charge for testing.

9. Penalty: 10% penalty for late payment if bills not paid by the 10th day of the month.

10. Service line inspection charge $25.

DATE OF ISSUE February 21, 1991 DATE EFFECTIVE February 11, 1991

ISSUED BY _____ TITLE Chairman
Name of Officer

EXHIBIT D

RESOLUTION 03-93

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

WHEREAS, the Board of Commissioners, ("governing authority") of the Beaver-Elkhorn Water District, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water facilities and improvements to the Governmental Agency's Water System (the "Project") and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to construct the Project; and

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

NOW, THEREFORE, BE IT RESOLVED by the Beaver-Elkhorn Water District, as follows:

SECTION 1. That the governing authority hereby approves and authorizes of the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the Project.

SECTION 2. That any officer of the Governmental Agency be and hereby is authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on March 8, 1993.

Presiding Officer

Attest:

Homer L Hall

Title: Commissioner

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Recording Officer of the Beaver-Elkhorn Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on 3-8, 1993; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 8 day of March, 1993.

Maribeth Hackworth
Recording Officer

EXHIBIT E

John Allen, Attorney

Allen-Weddington Building

Box 441

Prestonsburg, Kentucky 41653

(606) 886-2431

March 9, 1993

Kentucky Infrastructure Authority
Room 075 Capitol Annex
Frankfort, Kentucky

Re: Assistance Agreement by and between Kentucky Infrastructure Authority and Beaver Elkhorn Water District dated as of March 8, 1993

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to Beaver Elkhorn Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the infrastructure project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement and the plans, designs and specifications prepared by the Engineers for the Governmental Agency with respect to the Project.

Based upon my review I am of the opinion that:

1) The Governmental Agency is duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or

John Allen, Attorney
Allen-Weddington Building
Box 441
Prestonsburg, Kentucky 41653
(606) 886-2431

similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consumate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.

John Allen, Attorney
Allen-Waddington Building
Box 4141
Prestonsburg, Kentucky 41653
(606)886-2431

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,

John Allen

JA/ba

Copy to:
Ernie Moore, Chairman
Beaver Elkhorn Water District
P.O. Box 769
Martin, Kentucky 41649

Eric Ratliff
Big Sandy ADD
Prestonsburg, Kentucky 41653

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN

_____

("GOVERNMENATAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority $_____

Principal and Interest Payable
on Each _____ and _____

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

KENTUCKY INFRASTRUCTURE AUTHORITY

By _____

Title _____

_____
Governmental Agency

By _____

Title _____

ATTEST:

_____

Title _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND B2

PROJECT NUMBER	B295-01
BORROWER:	Beaver-Elkhorn Water District, Floyd County
BORROWER'S ADDRESS	P.O. Box 769
	Martin, Kentucky 41649
DATE OF ASSISTANCE AGREEMENT:	October 1, 1995

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of the Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency"):

W I T N E S E T H

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Program as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of Projects, as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize and manage the resources of the Commonwealth of Kentucky (the "Commonwealth") for the protection and preservation of the health, safety, convenience, and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of September 1, 1989 (the "Indenture") between the Authority and First Kentucky Trust Company (the "Trustee") in order to provide funding for its Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to acquire, construct, and finance the Project, as hereinafter defined, and the Authority has determined that the Project is a Project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the purpose of securing from the Authority the repayable Loan hereinafter identified; and

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained to levy, collect, and enforce and remit adequate Service Charges, as hereinafter defined, for the services provided by the Governmental Agency's System, as hereinafter defined, and to apply the necessary portion of said Service Charges to the repayment of the Loan and the interest thereon, as hereinafter specifically provided; and

WHEREAS, the Authority and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth

their respective duties, rights, covenants, and obligations with respect to the acquisition, construction, and financing of the Project and the repayment of the Loan and the interest thereon;

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

ARTICLE I

DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Agency and its Project.

"Act" shall mean Chapter 224A of the Kentucky Revised Statutes, as amended.

"Administrative Fee" means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Project Specifics.

"Assistance Agreement" shall mean this agreement made and entered into by and between a Governmental Agency and the Authority, as authorized by the Act, providing for a Loan to the Governmental Agency by the Authority, and for the repayment thereof to the Authority by the Governmental Agency.

"Authority" shall mean the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky, or such other designation as may be effected by future amendments to the Act.

"Bond" or "Bonds" or "Revenue Bonds" shall mean any Kentucky Infrastructure Authority Bond or Bonds, or the issue of such Bonds, as the case may be, authenticated and delivered under the Indenture.

"Business Day" shall mean any day other than a Saturday, Sunday or other legal holiday on which the general offices of the Commonwealth are closed.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"Commonwealth" shall mean the Commonwealth of Kentucky.

"Construction" shall mean construction as defined in the Act.

"Debt Obligations" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

"Engineers" means the firm of consulting engineers employed by the Governmental

Agency in connection with the Project identified in the Project Specifics.

"Governmental Agency" shall mean any agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate a Project, including specifically but not by way of limitation, incorporated cities, counties, sanitation districts, water districts, public authorities, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any other agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of the Commonwealth having and possessing such described powers; and for the purposes of this Assistance Agreement shall mean the Governmental Agency identified in the Project Specifics.

"Indenture" shall mean the General Trust Indenture dated as of September 1, 1989 between the Authority and the Trustee.

"Loan" shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Project Specifics, for the purpose of defraying the costs incidental to the Construction of the Project.

"Loan Rate" means the rate of interest identified in the Schedule of Payments.

"Person" shall mean any individual, firm, partnership, association, corporation or Governmental Agency.

"Program" shall mean the program authorized by KRS 224A.112 and the Indenture as the "infrastructure revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

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

"Project Specifics" means those specific details of the Project identified in Exhibit A hereto, all of which are incorporated by reference in this Assistance Agreement.

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

"Schedule of Payments" means the principal and interest requirements of the Loan as set forth in Exhibit F hereto, to be established and agreed to upon or prior to the completion of the Project.

"Schedule of Service Charges" shall mean those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto,

and such other revenues identified in Exhibit C from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority prior to the disbursement of any portion of the Loan hereunder.

"Service Charges" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the Project which Service Charges arises by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charge shall be no less than those set forth in the Schedule of Service Charges.

"System" shall mean the utility system owned and operated by the Governmental Agency of which the Project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Governmental Agency as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and Authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(D) The authorization, execution and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of the Governmental Agency. The Governmental Agency hereby represents and warrants for the benefit of the Authority as follows:

(A) The Governmental Agency is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement and consummate the transactions contemplated hereby.

(B) The negotiation, execution and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Agency.

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors'

rights or remedies generally.

(D) There is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

(F) Attached hereto as Exhibit D is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Governmental Agency approving and authorizing the execution and delivery of this Assistance Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(G) All actions taken by the Governmental Agency in connection with this Assistance Agreement and the Loan described herein and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, KRS 61.805 to 61.850.

(H) The Governmental Agency has all licenses, permits and other governmental approvals (including but not limited to all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate and maintain the Project, to charge and collect the Service Charges and to enter into this Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power and authority to perform the acts and things as provided for in this Assistance Agreement.

(I) Legal counsel to the Governmental Agency has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit E hereto.

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Project under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics, subject to such adjustments as may be set forth in the Schedule of Payments. Principal payments shall be made semiannually in the amounts and on the dates to be established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the Repayment Term set forth in the Project Specifics, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable on the Interest Payment Dates set forth in the Project Specifics, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; subject to the requirements set forth in Article IV hereof.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Repay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security

interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority, if requested, appropriate documentation, satisfactory to the Authority, in its sole discretion, indicating the following:

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

(B) All real estate and interest in real estate and all personal property constituting the Project and the Project sites heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by either the lump-sum (fixed price) or unit price contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and

furnished to the Authority.

(G) Duly authorized representatives of the Authority and such other agencies of the Commonwealth as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the construction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, and any other participating federal or state agency, the Engineers, and all construction contractors. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers. Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Authority and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers to the Governmental Agency and approved by state and federal

agencies, but only to the extent such approvals may be required.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority noting the participation of the Authority in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority, acting by and through its duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state grants.

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

(S) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(T) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor, shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(U) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Authority, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(V) The Governmental Agency shall demonstrate to the satisfaction of the

Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect as of the submission of the initial Requisition for Funds.

Section 4.2. Disbursements of Loan; Requisition for Funds. The Governmental Agency may submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) a Requisition for Funds during the first ten days of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for payment by the Authority directly to the contractor.

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

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment

Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". On or before each payment date identified in the Schedule of Payments, the Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to ten percent (10%) of the amount of such Loan payment until the amount on deposit in such fund is equal to five percent (5%) of the original principal amount of the Loan (the "Required Balance"). Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the costs of replacing worn or obsolete portions of the Project. If amounts are withdrawn from such fund, the Governmental Agency shall again make the periodic deposits hereinabove required until the Required Balance is reinstated.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspection. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribed, charge and collect the Service Charges set forth in Exhibit C hereto for the services of the Project as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement.

(B) That it will furnish to the Authority not less than annually reports of the operations and income and revenues of the Project, and will permit authorized agents of the Authority to inspect all records, accounts and data of the Project at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

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

termination of water services to any premises where the bill for sewer services is delinquent and foreclosure and decretal sale in respect of improvement benefit assessments which are delinquent.

Section 5.9. Termination of Water Services to Delinquent Users. In the event the Project consists of water facilities the Authority covenants and agrees that it shall, pursuant to applicable provisions of law, to the maximum extent authorized by law, enforce and collect the Service Charges imposed upon users of the Project and facilities constituting the System, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the System, which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principals on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

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

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

Section 6.11. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.4. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.5. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.6. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.7. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable

insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal inquiry, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.8. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.9. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement, and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.10. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.10, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental

Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing, the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Schedule of Payments to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce

the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5. Consent to Powers of Authority Under Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

Section 8.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the nondefaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2. Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue to full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, nor assignable by either parties without the written consent of the other party.

Section 9.5. Severability. In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.7. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

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

Section 9.9. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this

Assistance Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:

KENTUCKY INFRASTRUCTURE AUTHORITY

_____

By _____

Title _____

Title _____

ATTEST:

GOVERNMENTAL AGENCY:
BEAVER-ELKHORN WATER DISTRICT, FLOYD COUNTY, KENTUCKY

By:_____

By:_____

Title: Secretary

Title: Chairman

APPROVED:

_____
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:

_____
LEGAL COUNSEL TO THE KENTUCKY
INFRASTRUCTURE AUTHORITY

EXHIBIT A
PROJECT SPECIFICS
B295-01

NAME: Beaver-Elkhorn Water District, Floyd County

CONTACT PERSONS:

Homer Hall, Chariman
Beaver-Elkhorn Water District
P O Box 769
Martin, Kentucky 41649
(606) 358-3491

Eric Ratliff
Big Sandy Area Development District
503 South Lake Drive
Prestonsburg, Kentucky 41653
(606) 886-2374

ENGINEER:

Bill McDonald
Howard K. Bell, Inc.
354 Waller Avenue
Lexington, Kentucky 40585-0546
(606) 278-5412

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person) _____
Death or Personal Injury (per occurrence) _____
Property Damage on System _____

ADMINISTRATIVE FEE: .20%
DEFAULT RATE: 10%

PROJECT COST BREAKDOWN:

Administration	$ 39,600
Engineering	
Design	251,556
Bidding	54,478
General	37,551
Resident Inspection	86,625
Prior Construction	18,596
Construction	2,750,000
Legal	19,000
Property/Easements	15,000
Contingencies	170,401
Capitalized Interest	5,000
TOTAL	**$ 3,447,807**

PAYMENT DATES:	The December 1 or June 1 succeeding the project completion date which is at least three months, but no more than nine months, after the project completion date.
LOAN RATE:	**3.0%**
LOAN AMOUNT:	**$2,847,807**
FINAL LOAN TERM:	**30 years**
ESTIMATED ANNUAL PRINCIPAL & INTEREST:	**$ 144,631**
ADMINISTRATIVE FEE:	**5,695**
EST. ANNUAL DEBT SERVICE	**$ 150,326**
OTHER FINANCING SOURCES:	
KIA Grant Funds	$ 600,000
DEBT OBLIGATIONS CURRENTLY OUTSTANDING:	

PROJECT DESCRIPTION:

On September 16, 1991 the Kentucky Infrastructure Authority approved a combined loan and grant conditional funding agreement to the Beaver-Elkhorn Water District for upgrading the water treatment plant and construction of several water lines to serve approximately 1,500 residences. After the original approval, the project was divided into three phases. This project represents the third and last phase.

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED OCTOBER 1, 1995

Request No. _____ Dated _____

ORIGINAL SENT TO: Kentucky Infrastructure Authority
Room 075, Capitol Annex
Frankfort, Kentucky 40601

COPY SENT TO: Mr. Glenn Oldham
Department for Local Government
1024 Capitol Center Drive, Suite 340
Frankfort, Kentucky 40601

FROM: Beaver-Elkhorn Water District, Floyd County, Kentucky ("Governmental Agency")

Gentlemen:

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of facilities described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling $_____.

Documentation supporting the expenses incurred and identified per this request are attached.

ELIGIBLE PROJECT EXPENSES INCURRED

Contractor	Expenses this Request	Expenses to Date
Total		

ALLOCATION OF FUNDING FOR EXPENSES

Funding Source	Portion of Expenses this Request	Portion of Expenses Total to Date
Totals		

The Governmental Agency certifies it has also paid Project expenses or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

Funding Source	Amount of Payment or Requisition	Date of Payment or Requisition

Respectfully submitted,

_____

Governmental Agency

By _____

Title _____

Certificate of Consulting Engineers as to
Payment Request

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

_____
Engineer/Consultant

_____
Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

EXHIBIT D

RESOLUTION _____

RESOLUTION OF THE BEAVER-ELKHORN WATER DISTRICT, FLOYD COUNTY, KENTUCKY, APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE BEAVER-ELKHORN WATER DISTRICT, FLOYD COUNTY, KENTUCKY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners, ("governing authority") of the Beaver-Elkhorn Water District, Floyd County, Kentucky ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's water system (the "Project"); and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to construct the Project; and

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

NOW, THEREFORE, BE IT RESOLVED by the Beaver-Elkhorn Water District, Floyd County, Kentucky, as follows:

SECTION 1. That the governing authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the Project.

SECTION 2. That any officer of the Governmental Agency be and hereby is authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on 10/13/95, 1995.

Thomas L Hall

Presiding Officer

Attest:

_____

Title:_____

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Beaver-Elkhorn Water District, Floyd County, Kentucky; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said Governmental Agency at a meeting duly held on _____, 1995; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ___ day of _____ ____, 1995.

_____
Recording Officer

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
Room 075 Capitol Annex
Frankfort, Kentucky

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Beaver-Elkhorn Water District, Floyd County, Kentucky, dated as of October 1, 1995

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to Beaver-Elkhorn Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the infrastructure project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement and the plans, designs and specifications prepared by the Engineers for the Governmental Agency with respect to the Project.

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may

be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
BEAVER-ELKHORN WATER DISTRICT, FLOYD COUNTY, KENTUCKY
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by Governmental Agency to Kentucky Infrastructure Authority	**$2,847,807.00**

Principal and Interest Payable on Each June 1 and December 1

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

KENTUCKY INFRASTRUCTURE AUTHORITY

By _____

Title _____

_____

Governmental Agency

By:_____

Title:_____

ATTEST:

_____

Title _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

4901

Attachment 10



00000000010004402500600922201406I-0874341

G/L # 23213

AMORTIZATION SCHEDULE

Loan Date	Maturity	Loan Amount	Call	Collateral	Officer	Initials
09-22-2014		25,000.00		00	JHL	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Applicant: Southern Water & Sewer District (TIN: 61-0874341)
P.O. Box 610
McDowell, KY 41647

Lender: FIRST GUARANTY BANK
Martin Branch
39 Triangle Street
P.O. Box 888
Martin, KY 41649

Disbursement Date: September 23, 2014
Interest Rate: 5.900

Repayment Schedule: Installment
Calculation Method: 365/365 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	10-23-2014	482.52	121.32	361.20	24,666.80
2	11-23-2014	482.52	123.55	358.97	24,297.83
3	12-23-2014	482.52	117.83	364.69	23,933.14
2014 TOTALS:		1,447.56	362.70	1,084.86	
4	01-23-2015	482.52	119.93	362.59	23,570.55
5	02-23-2015	482.52	118.11	364.41	23,206.14
6	03-23-2015	482.52	106.03	377.49	22,828.65
7	04-23-2015	482.52	114.39	368.13	22,460.52
8	05-23-2015	482.52	108.92	373.60	22,086.92
9	06-23-2015	482.52	110.68	371.84	21,715.08
10	07-23-2015	482.52	105.30	377.22	21,337.86
11	08-23-2015	482.52	106.92	376.60	20,962.26
12	09-23-2015	482.52	105.04	377.48	20,584.78
13	10-23-2015	482.52	99.82	382.70	20,202.08
14	11-23-2015	482.52	101.23	381.29	19,820.79
15	12-23-2015	482.52	96.12	386.40	19,434.39
2015 TOTALS:		5,790.24	1,291.49	4,498.75	
16	01-23-2016	482.52	97.38	385.14	19,049.25
17	02-23-2016	482.52	95.46	387.06	18,662.19
18	03-23-2016	482.52	87.48	395.04	18,267.15
19	04-23-2016	482.52	91.54	390.98	17,876.17
20	05-23-2016	482.52	86.69	395.83	17,480.34
21	06-23-2016	482.52	87.69	394.83	17,085.41
22	07-23-2016	482.52	82.85	399.67	16,685.74
23	08-23-2016	482.52	83.61	398.91	16,286.83
24	09-23-2016	482.52	81.81	400.91	15,885.92
25	10-23-2016	482.52	77.04	405.48	15,480.44
26	11-23-2016	482.52	77.57	404.95	15,075.49
27	12-23-2016	482.52	73.11	409.41	14,666.08
2016 TOTALS:		5,790.24	1,021.93	4,768.31	
28	01-23-2017	482.52	73.49	409.03	14,257.05
29	02-23-2017	482.52	71.44	411.08	13,845.97
30	03-23-2017	482.52	62.67	419.85	13,426.12
31	04-23-2017	482.52	67.28	415.24	13,010.88
32	05-23-2017	482.52	63.09	419.43	12,591.45
33	06-23-2017	482.52	63.10	419.42	12,172.03
34	07-23-2017	482.52	59.03	423.49	11,748.54
35	08-23-2017	482.52	58.87	423.65	11,324.89
36	09-23-2017	482.52	56.75	425.77	10,899.12
37	10-23-2017	482.52	52.85	429.67	10,469.45
38	11-23-2017	482.52	52.46	430.06	10,039.39
39	12-23-2017	482.52	48.68	433.84	9,605.55
2017 TOTALS:		5,790.24	729.71	5,060.53	
40	01-23-2018	482.52	48.13	434.39	9,171.16
41	02-23-2018	482.52	45.96	436.56	8,734.60
42	03-23-2018	482.52	39.53	442.99	8,291.61
43	04-23-2018	482.52	41.55	440.97	7,850.64

AMORTIZATION SCHEDULE (Continued)

Loan No: 100044025

44	06-23-2018	482.52	38.07	444.45	7,408.19
45	06-23-2018	482.52	37.11	445.41	6,960.78
46	07-23-2018	482.52	33.76	448.76	6,512.02
47	08-23-2018	482.52	32.63	449.89	6,062.13
48	09-23-2018	482.52	30.38	452.14	5,609.99
49	10-23-2018	482.52	27.20	455.32	5,154.67
50	11-23-2018	482.52	25.83	456.69	4,697.98
51	12-23-2018	482.52	22.78	459.74	4,238.24
2018 TOTALS:		**5,790.24**	**422.93**	**5,367.31**	
52	01-23-2019	482.52	21.24	461.28	3,776.96
53	02-23-2019	482.52	18.93	463.59	3,313.37
54	03-23-2019	482.52	16.00	467.52	2,845.85
55	04-23-2019	482.52	14.26	468.26	2,377.59
56	05-23-2019	482.52	11.53	470.99	1,906.60
57	06-23-2019	482.52	9.55	472.97	1,433.63
58	07-23-2019	482.52	6.95	475.57	958.06
59	08-23-2019	482.52	4.80	477.72	480.34
60	09-23-2019	482.52	2.18	480.34	0.00
2019 TOTALS:		**4,342.68**	**104.44**	**4,238.24**	
TOTALS:		**28,951.20**	**3,933.20**	**25,018.00**	

NOTICE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

LASER PRO Lending, Ver. 19.4.0.024 Copr. Harland Financial Solutions, Inc. 1997, 2019 All Rights Reserved. - KY C:\CFI\LPL\G201.FC TR-17276 PR-CDMG10

Loan Amortization Schedule

GL# 23214

Enter values	
Loan amount	$ 41,355.00
Annual interest rate	4.316%
Loan period in years	4
Number of payments per year	12
Start date of loan	6/9/2015
Optional extra payments	$ -

Loan summary	
Scheduled payment	$ 939.61
Scheduled number of payments	48
Actual number of payments	48
Total early payments	$ -
Total interest	$ 3,746.39

Lender name: EXCAVATOR

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	7/9/2015	$ 41,355.00	$ 939.61	$ -	$ 939.61	$ 790.88	$ 148.73	$ 40,564.12	148.73
2	8/9/2015	40,564.12	939.61	-	939.61	793.72	145.89	39,770.40	294.62
3	9/9/2015	39,770.40	939.61	-	939.61	796.58	143.03	38,973.82	437.66
4	10/9/2015	38,973.82	939.61	-	939.61	799.44	140.17	38,174.38	577.83
5	11/9/2015	38,174.38	939.61	-	939.61	802.32	137.29	37,372.06	715.12
6	12/9/2015	37,372.06	939.61	-	939.61	805.20	134.41	36,566.85	849.53
7	1/9/2016	36,566.85	939.61	-	939.61	808.10	131.51	35,758.76	981.04
8	2/9/2016	35,758.76	939.61	-	939.61	811.01	128.61	34,947.75	1,109.65
9	3/9/2016	34,947.75	939.61	-	939.61	813.92	125.69	34,133.83	1,235.34
10	4/9/2016	34,133.83	939.61	-	939.61	816.85	122.76	33,316.98	1,358.10
11	5/9/2016	33,316.98	939.61	-	939.61	819.79	119.82	32,497.19	1,477.92
12	6/9/2016	32,497.19	939.61	-	939.61	822.74	116.88	31,674.45	1,594.80
13	7/9/2016	31,674.45	939.61	-	939.61	825.70	113.92	30,848.76	1,708.72
14	8/9/2016	30,848.76	939.61	-	939.61	828.66	110.95	30,020.09	1,819.66
15	9/9/2016	30,020.09	939.61	-	939.61	831.65	107.97	29,188.45	1,927.63
16	10/9/2016	29,188.45	939.61	-	939.61	834.64	104.98	28,353.81	2,032.61
17	11/9/2016	28,353.81	939.61	-	939.61	837.64	101.97	27,516.17	2,134.58
18	12/9/2016	27,516.17	939.61	-	939.61	840.65	98.96	26,675.52	2,233.54
19	1/9/2017	26,675.52	939.61	-	939.61	843.67	95.94	25,831.85	2,329.48
20	2/9/2017	25,831.85	939.61	-	939.61	846.71	92.90	24,985.14	2,422.39
21	3/9/2017	24,985.14	939.61	-	939.61	849.75	89.86	24,135.39	2,512.25
22	4/9/2017	24,135.39	939.61	-	939.61	852.81	86.80	23,282.58	2,599.05
23	5/9/2017	23,282.58	939.61	-	939.61	855.88	83.74	22,426.70	2,682.79
24	6/9/2017	22,426.70	939.61	-	939.61	858.95	80.66	21,567.75	2,763.44
25	7/9/2017	21,567.75	939.61	-	939.61	862.04	77.57	20,705.70	2,841.01
26	8/9/2017	20,705.70	939.61	-	939.61	865.14	74.47	19,840.56	2,915.48
27	9/9/2017	19,840.56	939.61	-	939.61	868.26	71.36	18,972.30	2,986.84
28	10/9/2017	18,972.30	939.61	-	939.61	871.38	68.23	18,100.93	3,055.07
29	11/9/2017	18,100.93	939.61	-	939.61	874.51	65.10	17,226.41	3,120.17
30	12/9/2017	17,226.41	939.61	-	939.61	877.66	61.95	16,348.76	3,182.12
31	1/9/2018	16,348.76	939.61	-	939.61	880.81	58.80	15,467.94	3,240.92
32	2/9/2018	15,467.94	939.61	-	939.61	883.98	55.63	14,583.96	3,296.55
33	3/9/2018	14,583.96	939.61	-	939.61	887.16	52.45	13,696.80	3,349.00
34	4/9/2018	13,696.80	939.61	-	939.61	890.35	49.26	12,806.45	3,398.27
35	5/9/2018	12,806.45	939.61	-	939.61	893.55	46.06	11,912.89	3,444.32
36	6/9/2018	11,912.89	939.61	-	939.61	896.77	42.84	11,016.13	3,487.17
37	7/9/2018	11,016.13	939.61	-	939.61	899.99	39.62	10,116.13	3,526.79
38	8/9/2018	10,116.13	939.61	-	939.61	903.23	36.38	9,212.90	3,563.17
39	9/9/2018	9,212.90	939.61	-	939.61	906.48	33.13	8,306.43	3,596.30
40	10/9/2018	8,306.43	939.61	-	939.61	909.74	29.87	7,396.69	3,626.18
41	11/9/2018	7,396.69	939.61	-	939.61	913.01	26.60	6,483.68	3,652.78
42	12/9/2018	6,483.68	939.61	-	939.61	916.29	23.32	5,567.38	3,676.10
43	1/9/2019	5,567.38	939.61	-	939.61	919.59	20.02	4,647.79	3,696.12
44	2/9/2019	4,647.79	939.61	-	939.61	922.90	16.72	3,724.90	3,712.84
45	3/9/2019	3,724.90	939.61	-	939.61	926.22	13.40	2,798.68	3,726.23
46	4/9/2019	2,798.68	939.61	-	939.61	929.55	10.07	1,869.14	3,736.30
47	5/9/2019	1,869.14	939.61	-	939.61	932.89	6.72	936.25	3,743.02
48	6/9/2019	936.25	939.61	-	936.25	932.88	3.37	0.00	3,746.39

SWSD

	Enter values
Loan amount	$ 125,984.00
Annual interest rate	4.321%
Loan period in years	6
Number of payments per year	12
Start date of loan	11/17/2017
Optional extra payments	$ -

Loan summary	
Scheduled payment	$ 1,989.53
Scheduled number of payments	72
Actual number of payments	72
Total early payments	$ -
Total interest	$ 17,262.03

G/L# 23215

Lender name: CITIZEN'S BANK

G/L # 23215

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal G/L 225	Interest G/L 540	Ending Balance	Cumulative Interest
1	12/17/2017	$ 125,984.00	$ 1,989.53	-	$ 1,989.53	$ 1,535.87	$ 453.66	$ 124,448.13	$ 453.66
2	1/17/2018	124,448.13	1,989.53	-	1,989.53	1,541.40	448.13	122,906.73	901.79
3	2/17/2018	122,906.73	1,989.53	-	1,989.53	1,546.95	442.58	121,359.78	1,344.36
4	3/17/2018	121,359.78	1,989.53	-	1,989.53	1,552.52	437.01	119,807.26	1,781.37
5	4/17/2018	119,807.26	1,989.53	-	1,989.53	1,558.11	431.42	118,249.14	2,212.78
6	5/17/2018	118,249.14	1,989.53	-	1,989.53	1,563.72	425.81	116,685.42	2,638.59
7	6/17/2018	116,685.42	1,989.53	-	1,989.53	1,569.35	420.17	115,116.07	3,058.76
8	7/17/2018	115,116.07	1,989.53	-	1,989.53	1,575.00	414.52	113,541.06	3,473.29
9	8/17/2018	113,541.06	1,989.53	-	1,989.53	1,580.68	408.85	111,960.39	3,882.14
10	9/17/2018	111,960.39	1,989.53	-	1,989.53	1,586.37	403.16	110,374.02	4,285.30
11	10/17/2018	110,374.02	1,989.53	-	1,989.53	1,592.08	397.45	108,781.94	4,682.75
12	11/17/2018	108,781.94	1,989.53	-	1,989.53	1,597.81	391.71	107,184.12	5,074.46
13	12/17/2018	107,184.12	1,989.53	-	1,989.53	1,603.57	385.96	105,580.56	5,460.42
14	1/17/2019	105,580.56	1,989.53	-	1,989.53	1,609.34	380.19	103,971.21	5,840.61
15	2/17/2019	103,971.21	1,989.53	-	1,989.53	1,615.14	374.39	102,356.08	6,215.00
16	3/17/2019	102,356.08	1,989.53	-	1,989.53	1,620.95	368.58	100,735.13	6,583.58
17	4/17/2019	100,735.13	1,989.53	-	1,989.53	1,626.79	362.74	99,108.34	6,946.32
18	5/17/2019	99,108.34	1,989.53	-	1,989.53	1,632.65	356.88	97,475.69	7,303.20
19	6/17/2019	97,475.69	1,989.53	-	1,989.53	1,638.53	351.00	95,837.16	7,654.20
20	7/17/2019	95,837.16	1,989.53	-	1,989.53	1,644.43	345.10	94,192.74	7,999.30
21	8/17/2019	94,192.74	1,989.53	-	1,989.53	1,650.35	339.18	92,542.39	8,338.48
22	9/17/2019	92,542.39	1,989.53	-	1,989.53	1,656.29	333.24	90,886.10	8,671.72
23	10/17/2019	90,886.10	1,989.53	-	1,989.53	1,662.25	327.27	89,223.84	8,998.99
24	11/17/2019	89,223.84	1,989.53	-	1,989.53	1,668.24	321.29	87,555.60	9,320.28
25	12/17/2019	87,555.60	1,989.53	-	1,989.53	1,674.25	315.28	85,881.35	9,635.56
26	1/17/2020	85,881.35	1,989.53	-	1,989.53	1,680.28	309.25	84,201.08	9,944.81
27	2/17/2020	84,201.08	1,989.53	-	1,989.53	1,686.33	303.20	82,514.75	10,248.01
28	3/17/2020	82,514.75	1,989.53	-	1,989.53	1,692.40	297.13	80,822.35	10,545.14
29	4/17/2020	80,822.35	1,989.53	-	1,989.53	1,698.49	291.03	79,123.86	10,836.18
30	5/17/2020	79,123.86	1,989.53	-	1,989.53	1,704.61	284.92	77,419.25	11,121.09
31	6/17/2020	77,419.25	1,989.53	-	1,989.53	1,710.75	278.78	75,708.50	11,399.87
32	7/17/2020	75,708.50	1,989.53	-	1,989.53	1,716.91	272.62	73,991.59	11,672.49
33	8/17/2020	73,991.59	1,989.53	-	1,989.53	1,723.09	266.44	72,268.50	11,938.93
34	9/17/2020	72,268.50	1,989.53	-	1,989.53	1,729.30	260.23	70,539.20	12,199.16
35	10/17/2020	70,539.20	1,989.53	-	1,989.53	1,735.52	254.01	68,803.68	12,453.17
36	11/17/2020	68,803.68	1,989.53	-	1,989.53	1,741.77	247.76	67,061.91	12,700.93
37	12/17/2020	67,061.91	1,989.53	-	1,989.53	1,748.04	241.48	65,313.87	12,942.41
38	1/17/2021	65,313.87	1,989.53	-	1,989.53	1,754.34	235.19	63,559.53	13,177.60
39	2/17/2021	63,559.53	1,989.53	-	1,989.53	1,760.66	228.87	61,798.87	13,406.47
40	3/17/2021	61,798.87	1,989.53	-	1,989.53	1,767.00	222.53	60,031.88	13,629.01
41	4/17/2021	60,031.88	1,989.53	-	1,989.53	1,773.36	216.17	58,258.52	13,845.18
42	5/17/2021	58,258.52	1,989.53	-	1,989.53	1,779.74	209.78	56,478.77	14,054.96
43	6/17/2021	56,478.77	1,989.53	-	1,989.53	1,786.15	203.38	54,692.62	14,258.33
44	7/17/2021	54,692.62	1,989.53	-	1,989.53	1,792.58	196.94	52,900.04	14,455.28
45	8/17/2021	52,900.04	1,989.53	-	1,989.53	1,799.04	190.49	51,101.00	14,645.77
46	9/17/2021	51,101.00	1,989.53	-	1,989.53	1,805.52	184.01	49,295.48	14,829.78
47	10/17/2021	49,295.48	1,989.53	-	1,989.53	1,812.02	177.51	47,483.46	15,007.29
48	11/17/2021	47,483.46	1,989.53	-	1,989.53	1,818.54	170.98	45,664.92	15,178.27
49	12/17/2021	45,664.92	1,989.53	-	1,989.53	1,825.09	164.44	43,839.82	15,342.71
50	1/17/2022	43,839.82	1,989.53	-	1,989.53	1,831.66	157.86	42,008.16	15,500.57
51	2/17/2022	42,008.16	1,989.53	-	1,989.53	1,838.26	151.27	40,169.90	15,651.84
52	3/17/2022	40,169.90	1,989.53	-	1,989.53	1,844.88	144.65	38,325.02	15,796.49
53	4/17/2022	38,325.02	1,989.53	-	1,989.53	1,851.52	138.01	36,473.49	15,934.49
54	5/17/2022	36,473.49	1,989.53	-	1,989.53	1,858.19	131.34	34,615.30	16,065.83
55	6/17/2022	34,615.30	1,989.53	-	1,989.53	1,864.88	124.65	32,750.42	16,190.48
56	7/17/2022	32,750.42	1,989.53	-	1,989.53	1,871.60	117.93	30,878.83	16,308.41
57	8/17/2022	30,878.83	1,989.53	-	1,989.53	1,878.34	111.19	29,000.49	16,419.60
58	9/17/2022	29,000.49	1,989.53	-	1,989.53	1,885.10	104.43	27,115.39	16,524.03
59	10/17/2022	27,115.39	1,989.53	-	1,989.53	1,891.89	97.64	25,223.50	16,621.67
60	11/17/2022	25,223.50	1,989.53	-	1,989.53	1,898.70	90.83	23,324.80	16,712.50
61	12/17/2022	23,324.80	1,989.53	-	1,989.53	1,905.54	83.99	21,419.26	16,796.49
62	1/17/2023	21,419.26	1,989.53	-	1,989.53	1,912.40	77.13	19,506.87	16,873.62

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal G/L 225	Interest G/L 540	Ending Balance	Cumulative Interest
63	2/17/2023	19,506.87	1,989.53	-	1,989.53	1,919.29	70.24	17,587.58	16,943.86
64	3/17/2023	17,587.58	1,989.53	-	1,989.53	1,926.20	63.33	15,661.38	17,007.19
65	4/17/2023	15,661.38	1,989.53	-	1,989.53	1,933.13	56.40	13,728.25	17,063.58
66	5/17/2023	13,728.25	1,989.53	-	1,989.53	1,940.09	49.43	11,788.16	17,113.02
67	6/17/2023	11,788.16	1,989.53	-	1,989.53	1,947.08	42.45	9,841.08	17,155.47
68	7/17/2023	9,841.08	1,989.53	-	1,989.53	1,954.09	35.44	7,886.98	17,190.90
69	8/17/2023	7,886.98	1,989.53	-	1,989.53	1,961.13	28.40	5,925.86	17,219.30
70	9/17/2023	5,925.86	1,989.53	-	1,989.53	1,968.19	21.34	3,957.67	17,240.64
71	10/17/2023	3,957.67	1,989.53	-	1,989.53	1,975.28	14.25	1,982.39	17,254.89
72	11/17/2023	1,982.39	1,989.53	-	1,982.39	1,975.25	7.14	0.00	17,262.03

GLA# 25201

Kentucky Infrastructure Authority - Loan Amortization Schedule
Southern Water & Sewer District - Loan Number B293-01

Loan Summary

Borrower:	Southern Water & Sewer District			Approval Date:	09-16-1991
Loan ID:	0008	KIA Loan Number:	B293-01	Maturity Date:	12-01-2024
Status:	Active	Interest Rate:	3.00%	R & M Reserve:	$68,143.50
Loan Amount:	$1,362,870.05	Pmt. Frequency	Semi-Annual		
AA Date:	03-01-1993	Supp. AA Date:			

Amortization Table

Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
06-01-1995	$14,164.89	$20,443.05	$34,607.94	$1,362.87	$0.00	$35,970.81	$1,348,705.16	$3,597.08	$3,597.08
12-01-1995	$14,377.36	$20,230.58	$34,607.94	$1,348.71	$0.00	$35,956.65	$1,334,327.79	$3,595.66	$7,192.75
06-01-1996	$14,593.02	$20,014.92	$34,607.94	$1,334.33	$0.00	$35,942.27	$1,319,734.77	$3,594.23	$10,786.97
12-01-1996	$14,811.92	$19,796.02	$34,607.94	$1,319.73	$0.00	$35,927.68	$1,304,922.85	$3,592.77	$14,379.74
06-01-1997	$15,034.10	$19,573.84	$34,607.94	$1,304.92	$0.00	$35,912.86	$1,289,888.75	$3,591.29	$17,971.03
12-01-1997	$15,259.61	$19,348.33	$34,607.94	$1,289.89	$0.00	$35,897.83	$1,274,629.14	$3,589.78	$21,560.81
06-01-1998	$15,488.50	$19,119.44	$34,607.94	$1,274.63	$0.00	$35,882.57	$1,259,140.64	$3,588.26	$25,149.07
12-01-1998	$15,720.83	$18,887.11	$34,607.94	$1,259.14	$0.00	$35,867.08	$1,243,419.80	$3,586.71	$28,735.78
06-01-1999	$15,956.64	$18,651.30	$34,607.94	$1,243.42	$0.00	$35,851.36	$1,227,463.16	$3,585.14	$32,320.91
12-01-1999	$16,195.99	$18,411.95	$34,607.94	$1,227.46	$0.00	$35,835.40	$1,211,267.16	$3,583.54	$35,904.45
06-01-2000	$16,438.93	$18,169.01	$34,607.94	$1,211.27	$0.00	$35,819.21	$1,194,828.23	$3,581.92	$39,486.37
12-01-2000	$16,685.52	$17,922.42	$34,607.94	$1,194.83	$0.00	$35,802.77	$1,178,142.71	$3,580.28	$43,066.65
06-01-2001	$16,935.80	$17,672.14	$34,607.94	$1,178.14	$0.00	$35,786.08	$1,161,206.91	$3,578.61	$46,645.26
12-01-2001	$17,189.84	$17,418.10	$34,607.94	$1,161.21	$0.00	$35,769.15	$1,144,017.07	$3,576.91	$50,222.17
06-01-2002	$17,447.69	$17,160.26	$34,607.94	$1,144.02	$0.00	$35,751.96	$1,126,569.39	$3,575.20	$53,797.37
12-01-2002	$17,709.40	$16,898.54	$34,607.94	$1,126.57	$0.00	$35,734.51	$1,108,859.99	$3,573.45	$57,370.82
06-01-2003	$17,975.04	$16,632.90	$34,607.94	$1,108.86	$0.00	$35,716.80	$1,090,884.94	$3,571.68	$60,942.50
12-01-2003	$18,244.67	$16,363.27	$34,607.94	$1,090.88	$0.00	$35,698.83	$1,072,640.28	$3,569.88	$64,512.38
06-01-2004	$18,518.34	$16,089.60	$34,607.94	$1,072.64	$0.00	$35,680.58	$1,054,121.94	$3,631.12	$68,143.50
12-01-2004	$18,796.11	$15,811.83	$34,607.94	$1,054.12	$0.00	$35,662.06	$1,035,325.83	$0.00	$68,143.50
06-01-2005	$19,078.05	$15,529.89	$34,607.94	$1,035.33	$0.00	$35,643.27	$1,016,247.77	$0.00	$68,143.50
12-01-2005	$19,364.23	$15,243.72	$34,607.94	$1,016.25	$0.00	$35,624.19	$996,883.55	$0.00	$68,143.50
06-01-2006	$19,654.69	$14,953.25	$34,607.94	$996.88	$0.00	$35,604.83	$977,228.86	$0.00	$68,143.50
12-01-2006	$19,949.51	$14,658.43	$34,607.94	$977.23	$0.00	$35,585.17	$957,279.35	$0.00	$68,143.50
06-01-2007	$20,248.75	$14,359.19	$34,607.94	$957.28	$0.00	$35,565.22	$937,030.60	$0.00	$68,143.50
12-01-2007	$20,552.48	$14,055.46	$34,607.94	$937.03	$0.00	$35,544.97	$916,478.12	$0.00	$68,143.50
06-01-2008	$20,860.77	$13,747.17	$34,607.94	$916.48	$0.00	$35,524.42	$895,617.35	$0.00	$68,143.50
12-01-2008	$21,173.68	$13,434.26	$34,607.94	$895.62	$0.00	$35,503.56	$874,443.66	$0.00	$68,143.50
06-01-2009	$21,491.29	$13,116.66	$34,607.94	$874.44	$0.00	$35,482.39	$852,952.38	$0.00	$68,143.50
12-01-2009	$21,813.66	$12,794.29	$34,607.94	$852.95	$0.00	$35,460.89	$831,138.72	$0.00	$68,143.50
06-01-2010	$22,140.86	$12,467.08	$34,607.94	$831.14	$0.00	$35,439.08	$808,997.86	$0.00	$68,143.50
12-01-2010	$22,472.97	$12,134.97	$34,607.94	$809.00	$0.00	$35,416.94	$786,524.89	$0.00	$68,143.50
06-01-2011	$22,810.07	$11,797.87	$34,607.94	$786.52	$0.00	$35,394.47	$763,714.82	$0.00	$68,143.50
12-01-2011	$23,152.22	$11,455.72	$34,607.94	$763.71	$0.00	$35,371.66	$740,562.60	$0.00	$68,143.50
06-01-2012	$23,499.50	$11,108.44	$34,607.94	$740.56	$0.00	$35,348.50	$717,063.10	$0.00	$68,143.50
12-01-2012	$23,852.00	$10,755.95	$34,607.94	$717.06	$0.00	$35,325.00	$693,211.10	$0.00	$68,143.50
06-01-2013	$24,209.78	$10,398.17	$34,607.94	$693.21	$0.00	$35,301.15	$669,001.33	$0.00	$68,143.50

Kentucky Infrastructure Authority - Loan Amortization Schedule
Southern Water & Sewer District - Loan Number B293-01

Amortization Table

Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
12-01-2013	$24,572.92	$10,035.02	$34,607.94	$669.00	$0.00	$35,276.94	$644,428.40	$0.00	$68,143.50
06-01-2014	$24,941.52	$9,666.43	$34,607.94	$644.43	$0.00	$35,252.37	$619,486.89	$0.00	$68,143.50
12-01-2014	$25,315.64	$9,292.30	$34,607.94	$619.49	$0.00	$35,227.43	$594,171.25	$0.00	$68,143.50
06-01-2015	$25,695.37	$8,912.57	$34,607.94	$594.17	$0.00	$35,202.11	$568,475.88	$0.00	$68,143.50
12-01-2015	$26,080.80	$8,527.14	$34,607.94	$568.48	$0.00	$35,176.42	$542,395.07	$0.00	$68,143.50
06-01-2016	$26,472.02	$8,135.93	$34,607.94	$542.40	$0.00	$35,150.34	$515,923.06	$0.00	$68,143.50
12-01-2016	$26,869.10	$7,738.85	$34,607.94	$515.92	$0.00	$35,123.86	$489,053.96	$0.00	$68,143.50
06-01-2017	$27,272.13	$7,335.81	$34,607.94	$489.05	$0.00	$35,097.00	$461,781.83	$0.00	$68,143.50
12-01-2017	$27,681.21	$6,926.73	$34,607.94	$461.78	$0.00	$35,069.72	$434,100.62	$0.00	$68,143.50
06-01-2018	$28,096.43	$6,511.51	$34,607.94	$434.10	$0.00	$35,042.04	$406,004.18	$0.00	$68,143.50
12-01-2018	$28,517.88	$6,090.06	$34,607.94	$406.00	$0.00	$35,013.95	$377,486.30	$0.00	$68,143.50
06-01-2019	$28,945.65	$5,662.29	$34,607.94	$377.49	$0.00	$34,985.43	$348,540.66	$0.00	$68,143.50
12-01-2019	$29,379.83	$5,228.11	$34,607.94	$348.54	$0.00	$34,956.48	$319,160.83	$0.00	$68,143.50
06-01-2020	$29,820.53	$4,787.41	$34,607.94	$319.16	$0.00	$34,927.10	$289,340.30	$0.00	$68,143.50
12-01-2020	$30,267.84	$4,340.10	$34,607.94	$289.34	$0.00	$34,897.28	$259,072.46	$0.00	$68,143.50
06-01-2021	$30,721.85	$3,888.09	$34,607.94	$259.07	$0.00	$34,867.01	$228,350.60	$0.00	$68,143.50
12-01-2021	$31,182.68	$3,425.26	$34,607.94	$228.35	$0.00	$34,836.29	$197,167.92	$0.00	$68,143.50
06-01-2022	$31,650.42	$2,957.52	$34,607.94	$197.17	$0.00	$34,805.11	$165,517.50	$0.00	$68,143.50
12-01-2022	$32,125.18	$2,482.76	$34,607.94	$165.52	$0.00	$34,773.46	$133,392.32	$0.00	$68,143.50
06-01-2023	$32,607.06	$2,000.88	$34,607.94	$133.39	$0.00	$34,741.33	$100,785.26	$0.00	$68,143.50
12-01-2023	$33,096.16	$1,511.78	$34,607.94	$100.79	$0.00	$34,708.73	$67,689.10	$0.00	$68,143.50
06-01-2024	$33,592.61	$1,015.34	$34,607.94	$67.69	$0.00	$34,675.63	$34,096.49	$0.00	$68,143.50
12-01-2024	$34,096.49	$511.45	$34,607.94	$34.10	$0.00	$34,642.04	$0.00	$0.00	$68,143.50
Totals:	$1,362,870.03	$713,606.47	$2,076,476.40	$47,573.76	$0.00	$2,124,050.24		$68,143.51	

GIL# 25202

Kentucky Infrastructure Authority - Loan Amortization Schedule
Southern Water & Sewer District - Loan Number B295-01

Loan Summary

Borrower:	Southern Water & Sewer District			Approval Date:	02-02-1995
Loan ID:	0011	KIA Loan Number:	B295-01	Maturity Date:	12-01-2027
Status:	Active	Interest Rate:	3.00%	R & M Reserve:	$141,567.71
Loan Amount:	$2,831,354.23	Pmt. Frequency	Semi-Annual		
AA Date:	10-01-1995	Supp. AA Date:			

Amortization Table

Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
06-01-1998	$29,427.47	$43,851.30	$73,278.77	$2,831.35	$0.00	$76,110.12	$2,801,926.76	$7,611.01	$7,611.01
12-01-1998	$29,868.89	$42,028.90	$71,897.79	$2,801.93	$0.00	$74,699.71	$2,772,057.87	$7,469.97	$15,080.98
06-01-1999	$30,316.92	$41,580.87	$71,897.79	$2,772.06	$0.00	$74,669.85	$2,741,740.95	$7,466.98	$22,547.97
12-01-1999	$30,771.67	$41,126.11	$71,897.79	$2,741.74	$0.00	$74,639.53	$2,710,969.28	$7,463.95	$30,011.92
06-01-2000	$31,233.25	$40,664.54	$71,897.79	$2,710.97	$0.00	$74,608.76	$2,679,736.03	$7,460.88	$37,472.80
12-01-2000	$31,701.75	$40,196.04	$71,897.79	$2,679.74	$0.00	$74,577.52	$2,648,034.28	$7,457.75	$44,930.55
06-01-2001	$32,177.27	$39,720.51	$71,897.79	$2,648.03	$0.00	$74,545.82	$2,615,857.01	$7,454.58	$52,385.13
12-01-2001	$32,659.93	$39,237.86	$71,897.79	$2,615.86	$0.00	$74,513.65	$2,583,197.08	$7,451.36	$59,836.50
06-01-2002	$33,149.83	$38,747.96	$71,897.79	$2,583.20	$0.00	$74,480.99	$2,550,047.24	$7,448.10	$67,284.59
12-01-2002	$33,647.08	$38,250.71	$71,897.79	$2,550.05	$0.00	$74,447.84	$2,516,400.16	$7,444.78	$74,729.38
06-01-2003	$34,151.79	$37,746.00	$71,897.79	$2,516.40	$0.00	$74,414.19	$2,482,248.38	$7,441.42	$82,170.80
12-01-2003	$34,664.06	$37,233.73	$71,897.79	$2,482.25	$0.00	$74,380.04	$2,447,584.32	$7,438.00	$89,608.80
06-01-2004	$35,184.02	$36,713.76	$71,897.79	$2,447.58	$0.00	$74,345.37	$2,412,400.29	$7,434.54	$97,043.34
12-01-2004	$35,711.78	$36,186.00	$71,897.79	$2,412.40	$0.00	$74,310.19	$2,376,688.51	$7,431.02	$104,474.36
06-01-2005	$36,247.46	$35,650.33	$71,897.79	$2,376.69	$0.00	$74,274.48	$2,340,441.05	$7,427.45	$111,901.80
12-01-2005	$36,791.17	$35,106.62	$71,897.79	$2,340.44	$0.00	$74,238.23	$2,303,649.88	$7,423.82	$119,325.63
06-01-2006	$37,343.04	$34,554.75	$71,897.79	$2,303.65	$0.00	$74,201.44	$2,266,306.84	$22,242.08	$141,567.71
12-01-2006	$37,903.19	$33,994.60	$71,897.79	$2,266.31	$0.00	$74,164.10	$2,228,403.65	$0.00	$141,567.71
06-01-2007	$38,471.73	$33,426.05	$71,897.79	$2,228.40	$0.00	$74,126.19	$2,189,931.92	$0.00	$141,567.71
12-01-2007	$39,048.81	$32,848.98	$71,897.79	$2,189.93	$0.00	$74,087.72	$2,150,883.11	$0.00	$141,567.71
06-01-2008	$39,634.54	$32,263.25	$71,897.79	$2,150.88	$0.00	$74,048.67	$2,111,248.57	$0.00	$141,567.71
12-01-2008	$40,229.06	$31,668.73	$71,897.79	$2,111.25	$0.00	$74,009.04	$2,071,019.51	$0.00	$141,567.71
06-01-2009	$40,832.50	$31,065.29	$71,897.79	$2,071.02	$0.00	$73,968.81	$2,030,187.01	$0.00	$141,567.71
12-01-2009	$41,444.98	$30,452.81	$71,897.79	$2,030.19	$0.00	$73,927.98	$1,988,742.03	$0.00	$141,567.71
06-01-2010	$42,066.66	$29,831.13	$71,897.79	$1,988.74	$0.00	$73,886.53	$1,946,675.37	$0.00	$141,567.71
12-01-2010	$42,697.66	$29,200.13	$71,897.79	$1,946.68	$0.00	$73,844.46	$1,903,977.71	$0.00	$141,567.71
06-01-2011	$43,338.12	$28,559.67	$71,897.79	$1,903.98	$0.00	$73,801.77	$1,860,639.59	$0.00	$141,567.71
12-01-2011	$43,988.19	$27,909.59	$71,897.79	$1,860.64	$0.00	$73,758.43	$1,816,651.40	$0.00	$141,567.71
06-01-2012	$44,648.02	$27,249.77	$71,897.79	$1,816.65	$0.00	$73,714.44	$1,772,003.38	$0.00	$141,567.71
12-01-2012	$45,317.74	$26,580.05	$71,897.79	$1,772.00	$0.00	$73,669.79	$1,726,685.64	$0.00	$141,567.71
06-01-2013	$45,997.50	$25,900.28	$71,897.79	$1,726.69	$0.00	$73,624.47	$1,680,688.14	$0.00	$141,567.71
12-01-2013	$46,687.47	$25,210.32	$71,897.79	$1,680.69	$0.00	$73,578.48	$1,634,000.67	$0.00	$141,567.71
06-01-2014	$47,387.78	$24,510.01	$71,897.79	$1,634.00	$0.00	$73,531.79	$1,586,612.89	$0.00	$141,567.71
12-01-2014	$48,098.59	$23,799.19	$71,897.79	$1,586.61	$0.00	$73,484.40	$1,538,514.30	$0.00	$141,567.71
06-01-2015	$48,820.07	$23,077.71	$71,897.79	$1,538.51	$0.00	$73,436.30	$1,489,694.22	$0.00	$141,567.71
12-01-2015	$49,552.37	$22,345.41	$71,897.79	$1,489.69	$0.00	$73,387.48	$1,440,141.85	$0.00	$141,567.71
06-01-2016	$50,295.66	$21,602.13	$71,897.79	$1,440.14	$0.00	$73,337.93	$1,389,846.19	$0.00	$141,567.71

Kentucky Infrastructure Authority - Loan Amortization Schedule
Southern Water & Sewer District - Loan Number B295-01

Amortization Table

Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
12-01-2016	$51,050.10	$20,847.69	$71,897.79	$1,389.85	$0.00	$73,287.63	$1,338,796.09	$0.00	$141,567.71
06-01-2017	$51,815.85	$20,081.94	$71,897.79	$1,338.80	$0.00	$73,236.58	$1,286,980.25	$0.00	$141,567.71
12-01-2017	$52,593.08	$19,304.70	$71,897.79	$1,286.98	$0.00	$73,184.77	$1,234,387.16	$0.00	$141,567.71
06-01-2018	$53,381.98	$18,515.81	$71,897.79	$1,234.39	$0.00	$73,132.18	$1,181,005.18	$0.00	$141,567.71
12-01-2018	$54,182.71	$17,715.08	$71,897.79	$1,181.01	$0.00	$73,078.79	$1,126,822.47	$0.00	$141,567.71
06-01-2019	$54,995.45	$16,902.34	$71,897.79	$1,126.82	$0.00	$73,024.61	$1,071,827.02	$0.00	$141,567.71
12-01-2019	$55,820.38	$16,077.41	$71,897.79	$1,071.83	$0.00	$72,969.62	$1,016,006.64	$0.00	$141,567.71
06-01-2020	$56,657.69	$15,240.10	$71,897.79	$1,016.01	$0.00	$72,913.79	$959,348.95	$0.00	$141,567.71
12-01-2020	$57,507.55	$14,390.23	$71,897.79	$959.35	$0.00	$72,857.14	$901,841.40	$0.00	$141,567.71
06-01-2021	$58,370.17	$13,527.62	$71,897.79	$901.84	$0.00	$72,799.63	$843,471.23	$0.00	$141,567.71
12-01-2021	$59,245.72	$12,652.07	$71,897.79	$843.47	$0.00	$72,741.26	$784,225.51	$0.00	$141,567.71
06-01-2022	$60,134.41	$11,763.38	$71,897.79	$784.23	$0.00	$72,682.01	$724,091.10	$0.00	$141,567.71
12-01-2022	$61,036.42	$10,861.37	$71,897.79	$724.09	$0.00	$72,621.88	$663,054.68	$0.00	$141,567.71
06-01-2023	$61,951.97	$9,945.82	$71,897.79	$663.05	$0.00	$72,560.84	$601,102.71	$0.00	$141,567.71
12-01-2023	$62,881.25	$9,016.54	$71,897.79	$601.10	$0.00	$72,498.89	$538,221.47	$0.00	$141,567.71
06-01-2024	$63,824.47	$8,073.32	$71,897.79	$538.22	$0.00	$72,436.01	$474,397.00	$0.00	$141,567.71
12-01-2024	$64,781.83	$7,115.96	$71,897.79	$474.40	$0.00	$72,372.19	$409,615.17	$0.00	$141,567.71
06-01-2025	$65,753.56	$6,144.23	$71,897.79	$409.62	$0.00	$72,307.40	$343,861.61	$0.00	$141,567.71
12-01-2025	$66,739.86	$5,157.92	$71,897.79	$343.86	$0.00	$72,241.65	$277,121.74	$0.00	$141,567.71
06-01-2026	$67,740.96	$4,156.83	$71,897.79	$277.12	$0.00	$72,174.91	$209,380.78	$0.00	$141,567.71
12-01-2026	$68,757.08	$3,140.71	$71,897.79	$209.38	$0.00	$72,107.17	$140,623.70	$0.00	$141,567.71
06-01-2027	$69,788.43	$2,109.36	$71,897.79	$140.62	$0.00	$72,038.41	$70,835.27	$0.00	$141,567.71
12-01-2027	$70,835.26	$1,062.53	$71,897.79	$70.84	$0.00	$71,968.62	$0.01	$0.00	$141,567.71
Totals:	**$2,831,354.20**	**$1,483,894.05**	**$4,315,248.38**	**$98,834.22**	**$0.00**	**$4,414,082.49**		**$141,567.69**	

4.5%

#25203

SOUTHERN WATER AND SEWER DISTRICT
2,515,000 BOND ISSUE
DATED 12-12-2002

DUE DATE	INTEREST DUE	PRINCIPAL DUE	TOTAL PAYMENT	PRINCIPAL BALANCE	
				2,515,000.00	
1/01/03	56,587.50	-	56,587.50	2,515,000.00	
7/01/03	56,587.50	-	56,587.50	2,515,000.00	
1/01/04	56,587.50	-	56,587.50	2,515,000.00	
7/01/04	56,587.50	-	56,587.50	2,515,000.00	
1/01/05	56,587.50	26,000.00	82,587.50	2,489,000.00	
7/01/05	56,587.50	-	56,587.50	2,489,000.00	
1/01/06	56,002.50	27,000.00	83,002.50	2,462,000.00	
7/01/06	56,002.50	-	56,002.50	2,462,000.00	
1/01/07	55,395.00	29,000.00	84,395.00	2,433,000.00	
7/01/07	55,395.00	-	55,395.00	2,433,000.00	
1/01/08	54,742.50	30,000.00	84,742.50	2,403,000.00	
7/01/08	54,742.50	-	54,742.50	2,403,000.00	
1/01/09	54,067.50	31,000.00	85,067.50	2,372,000.00	
7/01/09	54,067.50	-	54,067.50	2,372,000.00	
1/01/10	53,370.00	33,000.00	86,370.00	2,339,000.00	
7/01/10	53,370.00	-	53,370.00	2,339,000.00	
1/01/11	52,627.50	34,000.00	86,627.50	2,305,000.00	Pd 12/29
7/01/11	52,627.50	-	52,627.50	2,305,000.00	
1/01/12	51,862.50	36,000.00	87,862.50	2,269,000.00	Pd 1/25/12
7/01/12	51,862.50	-	51,862.50	2,269,000.00	TIB
1/01/13	51,052.50	37,000.00	88,052.50	2,232,000.00	Pd 1/15/13
7/01/13	51,052.50	-	51,052.50	2,232,000.00	
1/01/14	50,220.00	39,000.00	89,220.00	2,193,000.00	
7/01/14	50,220.00	-	50,220.00	2,193,000.00	
1/01/15	49,342.50	41,000.00	90,342.50	2,152,000.00	
7/01/15	49,342.50	-	49,342.50	2,152,000.00	
1/01/16	48,420.00	43,000.00	91,420.00	2,109,000.00	
7/01/16	48,420.00	-	48,420.00	2,109,000.00	
1/01/17	47,452.50	44,000.00	91,452.50	2,065,000.00	
7/01/17	47,452.50	-	47,452.50	2,065,000.00	
1/01/18	46,462.50	46,000.00	92,462.50	2,019,000.00	
7/01/18	46,462.50	-	46,462.50	2,019,000.00	TIB 12/31/18
1/01/19	45,427.50	49,000.00	94,427.50	1,970,000.00	
7/01/19	45,427.50	-	45,427.50	1,970,000.00	
1/01/20	44,325.00	51,000.00	95,325.00	1,919,000.00	
7/01/20	44,325.00	-	44,325.00	1,919,000.00	
1/01/21	43,177.50	53,000.00	96,177.50	1,866,000.00	
7/01/21	43,177.50	-	43,177.50	1,866,000.00	
1/01/22	41,985.00	55,000.00	96,985.00	1,811,000.00	
7/01/22	41,985.00	-	41,985.00	1,811,000.00	
1/01/23	40,747.50	58,000.00	98,747.50	1,753,000.00	
7/01/23	40,747.50	-	40,747.50	1,753,000.00	
1/01/24	39,442.50	60,000.00	99,442.50	1,693,000.00	
7/01/24	39,442.50	-	39,442.50	1,693,000.00	
1/01/25	38,092.50	63,000.00	101,092.50	1,630,000.00	

7/01/25	38,092.50	-	38,092.50	1,630,000.00
1/01/26	36,675.00	66,000.00	102,675.00	1,564,000.00
7/01/26	36,675.00	-	36,675.00	1,564,000.00
1/01/27	35,190.00	69,000.00	104,190.00	1,495,000.00
7/01/27	35,190.00	-	35,190.00	1,495,000.00
1/01/28	33,637.50	72,000.00	105,637.50	1,423,000.00
7/01/28	33,637.50	-	33,637.50	1,423,000.00
1/01/29	32,017.50	75,000.00	107,017.50	1,348,000.00
7/01/29	32,017.50	-	32,017.50	1,348,000.00
1/01/30	30,330.00	79,000.00	109,330.00	1,269,000.00
7/01/30	30,330.00	-	30,330.00	1,269,000.00
1/01/31	28,552.50	82,000.00	110,552.50	1,187,000.00
7/01/31	28,552.50	-	28,552.50	1,187,000.00
1/01/32	26,707.50	86,000.00	112,707.50	1,101,000.00
7/01/32	26,707.50	-	26,707.50	1,101,000.00
1/01/33	24,772.50	90,000.00	114,772.50	1,011,000.00
7/01/33	24,772.50	-	24,772.50	1,011,000.00
1/01/34	22,747.50	94,000.00	116,747.50	917,000.00
7/01/34	22,747.50	-	22,747.50	917,000.00
1/01/35	20,632.50	98,000.00	118,632.50	819,000.00
7/01/35	20,632.50	-	20,632.50	819,000.00
1/01/36	18,427.50	103,000.00	121,427.50	716,000.00
7/01/36	18,427.50	-	18,427.50	716,000.00
1/01/37	16,110.00	107,000.00	123,110.00	609,000.00
7/01/37	16,110.00	-	16,110.00	609,000.00
1/01/38	13,702.50	112,000.00	125,702.50	497,000.00
7/01/38	13,702.50	-	13,702.50	497,000.00
1/01/39	11,182.50	117,000.00	128,182.50	380,000.00
7/01/39	11,182.50	-	11,182.50	380,000.00
1/01/40	8,550.00	122,000.00	130,550.00	258,000.00
7/01/40	8,550.00	-	8,550.00	258,000.00
1/01/41	5,805.00	128,000.00	133,805.00	130,000.00
7/01/41	5,805.00	-	5,805.00	130,000.00
1/01/42	2,925.00	130,000.00	132,925.00	-
7/01/42	2,925.00	-	2,925.00	-
TOTALS	3,003,885.00	2,515,000.00	5,518,885.00	

4.25%

#25205

SOUTHERN WATER AND SEWER DISTRICT
225,000 BOND ISSUE
DATED 11-03-2005

DUE DATE	INTEREST DUE	PRINCIPAL DUE	TOTAL PAYMENT	PRINCIPAL BALANCE	
				225,000.00	
1/01/06	4,781.25	-	4,781.25	225,000.00	
7/01/06	4,781.25	-	4,781.25	225,000.00	
1/01/07	4,781.25	2,500.00	7,281.25	222,500.00	
7/01/07	4,781.25	-	4,781.25	222,500.00	
1/01/08	4,728.13	2,500.00	7,228.13	220,000.00	
7/01/08	4,728.12	-	4,728.12	220,000.00	
1/01/09	4,675.00	2,500.00	7,175.00	217,500.00	
7/01/09	4,675.00	-	4,675.00	217,500.00	
1/01/10	4,621.88	3,000.00	7,621.88	214,500.00	
7/01/10	4,621.87	-	4,621.87	214,500.00	
1/01/11	4,558.12	3,000.00	7,558.12	211,500.00	Pd 12/29
7/01/11	4,558.13	-	4,558.13	211,500.00	
1/01/12	4,494.38	3,000.00	7,494.38	208,500.00	Pd 1/25/12
7/01/12	4,494.37	-	4,494.37	208,500.00	
1/01/13	4,430.63	3,000.00	7,430.63	205,500.00	Pd 1/15/13
7/01/13	4,430.62	-	4,430.62	205,500.00	
1/01/14	4,366.88	3,500.00	7,866.88	202,000.00	
7/01/14	4,366.87	-	4,366.87	202,000.00	
1/01/15	4,292.50	3,500.00	7,792.50	198,500.00	
7/01/15	4,292.50	-	4,292.50	198,500.00	
1/01/16	4,218.13	3,500.00	7,718.13	195,000.00	
7/01/16	4,218.12	-	4,218.12	195,000.00	
1/01/17	4,143.75	4,000.00	8,143.75	191,000.00	
7/01/17	4,143.75	-	4,143.75	191,000.00	
1/01/18	4,058.75	4,000.00	8,058.75	187,000.00	
7/01/18	4,058.75	-	4,058.75	187,000.00	Pd. 12/31/18
1/01/19	3,973.75	4,000.00	7,973.75	183,000.00	
7/01/19	3,973.75	-	3,973.75	183,000.00	
1/01/20	3,888.75	4,500.00	8,388.75	178,500.00	
7/01/20	3,888.75	-	3,888.75	178,500.00	
1/01/21	3,793.13	4,500.00	8,293.13	174,000.00	
7/01/21	3,793.12	-	3,793.12	174,000.00	
1/01/22	3,697.50	4,500.00	8,197.50	169,500.00	
7/01/22	3,697.50	-	3,697.50	169,500.00	
1/01/23	3,601.88	5,000.00	8,601.88	164,500.00	
7/01/23	3,601.87	-	3,601.87	164,500.00	
1/01/24	3,495.63	5,000.00	8,495.63	159,500.00	
7/01/24	3,495.62	-	3,495.62	159,500.00	
1/01/25	3,389.38	5,500.00	8,889.38	154,000.00	
7/01/25	3,389.37	-	3,389.37	154,000.00	
1/01/26	3,272.50	5,500.00	8,772.50	148,500.00	
7/01/26	3,272.50	-	3,272.50	148,500.00	
1/01/27	3,155.63	5,500.00	8,655.63	143,000.00	
7/01/27	3,155.62	-	3,155.62	143,000.00	
1/01/28	3,038.75	6,000.00	9,038.75	137,000.00	

7/01/28	3,038.75	-	3,038.75	137,000.00
1/01/29	2,911.25	6,000.00	8,911.25	131,000.00
7/01/29	2,911.25	-	2,911.25	131,000.00
1/01/30	2,783.75	6,500.00	9,283.75	124,500.00
7/01/30	2,783.75	-	2,783.75	124,500.00
1/01/31	2,645.63	6,500.00	9,145.63	118,000.00
7/01/31	2,645.62	-	2,645.62	118,000.00
1/01/32	2,507.50	7,000.00	9,507.50	111,000.00
7/01/32	2,507.50	-	2,507.50	111,000.00
1/01/33	2,358.75	7,500.00	9,858.75	103,500.00
7/01/33	2,358.75	-	2,358.75	103,500.00
1/01/34	2,199.38	7,500.00	9,699.38	96,000.00
7/01/34	2,199.37	-	2,199.37	96,000.00
1/01/35	2,040.00	8,000.00	10,040.00	88,000.00
7/01/35	2,040.00	-	2,040.00	88,000.00
1/01/36	1,870.00	8,500.00	10,370.00	79,500.00
7/01/36	1,870.00	-	1,870.00	79,500.00
1/01/37	1,689.38	8,500.00	10,189.38	71,000.00
7/01/37	1,689.37	-	1,689.37	71,000.00
1/01/38	1,508.75	9,000.00	10,508.75	62,000.00
7/01/38	1,508.75	-	1,508.75	62,000.00
1/01/39	1,317.50	9,500.00	10,817.50	52,500.00
7/01/39	1,317.50	-	1,317.50	52,500.00
1/01/40	1,115.63	10,000.00	11,115.63	42,500.00
7/01/40	1,115.62	-	1,115.62	42,500.00
1/01/41	903.13	10,000.00	10,903.13	32,500.00
7/01/41	903.12	-	903.12	32,500.00
1/01/42	690.63	10,500.00	11,190.63	22,000.00
7/01/42	690.62	-	690.62	22,000.00
1/01/43	467.50	11,000.00	11,467.50	11,000.00
7/01/43	467.50	-	467.50	11,000.00
1/01/44	233.75	11,000.00	11,233.75	-
7/01/44	233.75	-	233.75	-
	-	-	-	-
	-	-	-	-
TOTALS	241,400.00	225,000.00	466,400.00	

2.25

#25207

SOUTHERN WATER AND SEWER DISTRICT
530,000 BUILD AMERICA BOND
DATED 11/04/2010

DUE DATE	INTEREST DUE	PRINCIPAL DUE	TOTAL PAYMENT	PRINCIPAL BALANCE	
				530,000.00	
1/1/2011	1,888.13	-	1,888.13	530,000.00	
7/1/2011	5,962.50	-	5,962.50	530,000.00	Pd 7/1/11
1/1/2012	5,962.50	8,000.00	13,962.50	522,000.00	Pd 1/25/12
7/1/2012	5,872.50	-	5,872.50	522,000.00	
1/1/2013	5,872.50	8,500.00	14,372.50	513,500.00	Pd 1/15/13
7/1/2013	5,776.88	-	5,776.88	513,500.00	
1/1/2014	5,776.88	8,500.00	14,276.88	505,000.00	
7/1/2014	5,681.25	-	5,681.25	505,000.00	
1/1/2015	5,681.25	9,000.00	14,681.25	496,000.00	
7/1/2015	5,580.00	-	5,580.00	496,000.00	
1/1/2016	5,580.00	9,000.00	14,580.00	487,000.00	
7/1/2016	5,478.75	-	5,478.75	487,000.00	
1/1/2017	5,478.75	9,500.00	14,978.75	477,500.00	
7/1/2017	5,371.88	-	5,371.88	477,500.00	
1/1/2018	5,371.88	9,500.00	14,871.88	468,000.00	
7/1/2018	5,265.00	-	5,265.00	468,000.00	TIB 12/31/18
1/1/2019	5,265.00	10,000.00	15,265.00	458,000.00	
7/1/2019	5,152.50	-	5,152.50	458,000.00	
1/1/2020	5,152.50	10,000.00	15,152.50	448,000.00	
7/1/2020	5,040.00	-	5,040.00	448,000.00	
1/1/2021	5,040.00	10,500.00	15,540.00	437,500.00	
7/1/2021	4,921.88	-	4,921.88	437,500.00	
1/1/2022	4,921.88	10,500.00	15,421.88	427,000.00	
7/1/2022	4,803.75	-	4,803.75	427,000.00	
1/1/2023	4,803.75	11,000.00	15,803.75	416,000.00	
7/1/2023	4,680.00	-	4,680.00	416,000.00	
1/1/2024	4,680.00	11,000.00	15,680.00	405,000.00	
7/1/2024	4,556.25	-	4,556.25	405,000.00	
1/1/2025	4,556.25	11,500.00	16,056.25	393,500.00	
7/1/2025	4,426.88	-	4,426.88	393,500.00	
1/1/2026	4,426.88	12,000.00	16,426.88	381,500.00	
7/1/2026	4,291.88	-	4,291.88	381,500.00	
1/1/2027	4,291.88	12,000.00	16,291.88	369,500.00	
7/1/2027	4,156.88	-	4,156.88	369,500.00	
1/1/2028	4,156.88	12,500.00	16,656.88	357,000.00	
7/1/2028	4,016.25	-	4,016.25	357,000.00	
1/1/2029	4,016.25	13,000.00	17,016.25	344,000.00	
7/1/2029	3,870.00	-	3,870.00	344,000.00	
1/1/2030	3,870.00	13,000.00	16,870.00	331,000.00	
7/1/2030	3,723.75	-	3,723.75	331,000.00	
1/1/2031	3,723.75	13,500.00	17,223.75	317,500.00	
7/1/2031	3,571.88	-	3,571.88	317,500.00	
1/1/2032	3,571.88	14,000.00	17,571.88	303,500.00	
7/1/1932	3,414.38	-	3,414.38	303,500.00	
1/1/1933	3,414.38	14,500.00	17,914.38	289,000.00	

7/1/1933	3,251.25	-	3,251.25	289,000.00
1/1/1934	3,251.25	14,500.00	17,751.25	274,500.00
7/1/1934	3,099.13	-	3,099.13	274,500.00
1/1/1935	3,088.13	15,000.00	18,088.13	259,500.00
7/1/1935	2,919.38	-	2,919.38	259,500.00
1/1/1936	2,919.38	15,500.00	18,419.38	244,000.00
7/1/1936	2,745.00	-	2,745.00	244,000.00
1/1/1937	2,745.00	16,000.00	18,745.00	228,000.00
7/1/1937	2,565.00	-	2,565.00	228,000.00
1/1/1938	2,565.00	16,500.00	19,065.00	211,500.00
7/1/1938	2,379.38	-	2,379.38	211,500.00
1/1/1939	2,379.38	17,000.00	19,379.38	194,500.00
7/1/1939	2,188.13	-	2,188.13	194,500.00
1/1/1940	2,188.13	17,500.00	19,688.13	177,000.00
7/1/1940	1,991.25	-	1,991.25	177,000.00
1/1/1941	1,991.25	18,000.00	19,991.25	159,000.00
7/1/1941	1,788.75	-	1,788.75	159,000.00
1/1/1942	1,788.75	18,500.00	20,288.75	140,500.00
7/1/1942	1,580.63	-	1,580.63	140,500.00
1/1/1943	1,580.63	19,000.00	20,580.63	121,500.00
7/1/1943	1,366.88	-	1,366.88	121,500.00
1/1/1944	1,366.88	19,500.00	20,866.88	102,000.00
7/1/1944	1,147.50	-	1,147.50	102,000.00
1/1/1945	1,147.50	20,000.00	21,147.50	82,000.00
7/1/1945	922.50	-	922.50	82,000.00
1/1/1946	922.50	20,500.00	21,422.50	61,500.00
7/1/1946	691.88	-	691.88	61,500.00
1/1/1947	691.88	21,000.00	21,691.88	40,500.00
7/1/1947	455.63	-	455.63	40,500.00
1/1/1948	455.63	21,500.00	21,955.63	19,000.00
7/1/1948	213.75	-	213.75	19,000.00
1/1/1949	213.75	19,000.00	19,213.75	-
	-	-	-	-
	-	-	-	-
	-	-	-	-

TOTALS	271,719.29	530,000.00	801,719.29

GL# 25216

Name	So Water and Sewer				
BOND SERIES					
		Amount of Series		Interest Rate	
		$1,773,000.00		2.250%	
YEAR	PRINCIPAL	INTEREST JANUARY	INTEREST JULY	TOTAL	BALANCE
					$1,773,000.00
2017	$23,000.00	$19,946.25	$19,687.50	$62,633.75	$1,750,000.00
2018	$24,000.00	$19,687.50	$19,417.50	$63,105.00	$1,726,000.00
2019	$25,000.00	$19,417.50	$19,136.25	$63,553.75	$1,701,000.00
2020	$25,500.00	$19,136.25	$18,849.38	$63,485.63	$1,675,500.00
2021	$26,500.00	$18,849.38	$18,551.25	$63,900.63	$1,649,000.00
2022	$27,500.00	$18,551.25	$18,241.88	$64,293.13	$1,621,500.00
2023	$28,000.00	$18,241.88	$17,926.88	$64,168.75	$1,593,500.00
2024	$29,000.00	$17,926.88	$17,600.63	$64,527.50	$1,564,500.00
2025	$30,000.00	$17,600.63	$17,263.13	$64,863.75	$1,534,500.00
2026	$31,000.00	$17,263.13	$16,914.38	$65,177.50	$1,503,500.00
2027	$32,000.00	$16,914.38	$16,554.38	$65,468.75	$1,471,500.00
2028	$33,000.00	$16,554.38	$16,183.13	$65,737.50	$1,438,500.00
2029	$34,000.00	$16,183.13	$15,800.63	$65,983.75	$1,404,500.00
2030	$35,000.00	$15,800.63	$15,406.88	$66,207.50	$1,369,500.00
2031	$36,500.00	$15,406.88	$14,996.25	$66,903.13	$1,333,000.00
2032	$37,500.00	$14,996.25	$14,574.38	$67,070.63	$1,295,500.00
2033	$38,500.00	$14,574.38	$14,141.25	$67,215.63	$1,257,000.00
2034	$40,000.00	$14,141.25	$13,691.25	$67,832.50	$1,217,000.00
2035	$41,500.00	$13,691.25	$13,224.38	$68,415.63	$1,175,500.00
2036	$42,500.00	$13,224.38	$12,746.25	$68,470.63	$1,133,000.00
2037	$44,000.00	$12,746.25	$12,251.25	$68,997.50	$1,089,000.00
2038	$45,500.00	$12,251.25	$11,739.38	$69,490.63	$1,043,500.00
2039	$47,000.00	$11,739.38	$11,210.63	$69,950.00	$996,500.00
2040	$48,500.00	$11,210.63	$10,665.00	$70,375.63	$948,000.00
2041	$50,000.00	$10,665.00	$10,102.50	$70,767.50	$898,000.00
2042	$51,500.00	$10,102.50	$9,523.13	$71,125.63	$846,500.00
2043	$53,500.00	$9,523.13	$8,921.25	$71,944.38	$793,000.00
2044	$55,000.00	$8,921.25	$8,302.50	$72,223.75	$738,000.00
2045	$57,000.00	$8,302.50	$7,661.25	$72,963.75	$681,000.00
2046	$58,500.00	$7,661.25	$7,003.13	$73,164.38	$622,500.00
2047	$60,500.00	$7,003.13	$6,322.50	$73,825.63	$562,000.00
2048	$62,500.00	$6,322.50	$5,619.38	$74,441.88	$499,500.00
2049	$64,500.00	$5,619.38	$4,893.75	$75,013.13	$435,000.00
2050	$66,500.00	$4,893.75	$4,145.63	$75,539.38	$368,500.00
2051	$69,000.00	$4,145.63	$3,369.38	$76,515.00	$299,500.00
2052	$71,000.00	$3,369.38	$2,570.63	$76,940.00	$228,500.00
2053	$73,500.00	$2,570.63	$1,743.75	$77,814.38	$155,000.00
2054	$76,000.00	$1,743.75	$888.75	$78,632.50	$79,000.00
2055	$79,000.00	$888.75	$0.00	$79,888.75	$0.00
2056	$0.00	$0.00	$0.00	$0.00	$0.00
2057	$0.00	$0.00	$0.00	$0.00	$0.00
	$1,773,000.00	$477,787.50	$457,841.25	$2,708,628.75	

12/31/18

Attachment 11

STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Southern Water & Sewer District ("Utility") and related parties that exceed $25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of $25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
None		

☒ Check this box if the Utility has no related party transactions.

☐ Check box if additional transactions are listed on the supplemental page.

☐ Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Jeff Prater
(Print Name)

Jeff Prater
(Signed)

Chairman
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Jeff Prater
(Name)

this 4th day of April, 2019.

Paula Burke
NOTARY PUBLIC
State-at-Large

STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Southern Water & Sewer District ("Utility") and related parties that exceed $25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of $25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
None		

☑ Check this box if the Utility has no related party transactions.

☐ Check box if additional transactions are listed on the supplemental page.

☐ Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Donald R Daniels II
(Print Name)

Donald R Daniels II
(Signed)

Board Member.
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Donnie Daniels
(Name)

this 4th day of April, 2019.

Paula Bunch
NOTARY PUBLIC
State-at-Large

STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Southern Water & Sewer District ("Utility") and related parties that exceed $25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of $25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
None		

☒ Check this box if the Utility has no related party transactions.

☐ Check box if additional transactions are listed on the supplemental page.

☐ Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

STEVEN G. DAWSON
(Print Name)

(Signed)

Treasurer
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Steven G. Dawson
(Name)

this 4th day of April, 20 19.

Paula Burke
NOTARY PUBLIC
State-at-Large

STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Southern Water & Sewer District ("Utility") and related parties that exceed $25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of $25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
None		

☑ Check this box if the Utility has no related party transactions.

☐ Check box if additional transactions are listed on the supplemental page.

☐ Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Rick Roberts
(Print Name)

Rick Roberts
(Signed)

Secretary Southern Water Board / Board member
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Rick Roberts
(Name)

this 4th day of April, 2019.

Paula Burke
NOTARY PUBLIC
State-at-Large

STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Southern Water & Sewer District ("Utility") and related parties that exceed $25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of $25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
None		

[x] Check this box if the Utility has no related party transactions.

[ ] Check box if additional transactions are listed on the supplemental page.

[ ] Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Bishop Newsome
(Print Name)

Bishop Newsome
(Signed)

Board Member
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Floyd

Subscribed and sworn to before me by Drema L. May
(Name)

this 11th day of April, 2019.

Drema L. May 9/25/21
NOTARY PUBLIC
State-at-Large

Attachment 12

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE SOUTHERN WATER & SEWER DISTRICT PROPOSING ADJUSTMENTS TO ITS WATER RATES AND CHARGES AND AUTHORIZING ITS CHAIRMAN TO FILE AN APPLICATION WITH THE PSC SEEKING APPROVAL OF THE PROPOSED RATE ADJUSTMENT

WHEREAS, the Southern Water & Sewer District ("District") is a water district created and organized under the provisions of KRS Chapter 74. The District is subject to the jurisdiction of the Kentucky Public Service Commission ("PSC");

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

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

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF SOUTHERN WATER & SEWER DISTRICT AS FOLLOWS:

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

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

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

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

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

ADOPTED BY THE COMMISSION OF SOUTHERN WATER & SEWER DISTRICT at a meeting held on April 4th, 2019, signed by the Chairman, and attested by the Secretary.

Jeff Prato
CHAIRMAN

ATTEST:

Rick Robert
SECRETARY

CERTIFICATION

I, Secretary of the Southern Water & Sewer District (the "District"), do hereby certify that the foregoing is a true copy of a Resolution duly adopted by the Commission of the District at a meeting properly held on April 4th, 2019, signed by the Chairman of the Commission, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 4th day of April, 2019.

Rick Robert
SECRETARY

APPENDIX A

CURRENT AND PROPOSED RATES
Southern Water & Sewer District

Current Rates

	Charge per 1,000 gals.
Retail Rates	
All Meter Sizes	
First 2,000 Gallons (Minimum Bill)	$ 25.20
Over 2,000 Gallons	8.70
Wholesale Rates	
City of Hindman	3.04
Knott County Water District	3.10
City of Wheelwright	3.02

Proposed Rates

	Charge per 1,000 gals.
Retail Rates	
All Meter Sizes	
First 2,000 Gallons (Minimum Bill)	$ 33.34
Over 2,000 Gallons	11.51
Wholesale Rates	
City of Hindman	4.02
Knott County Water District	4.10
City of Wheelwright	4.00