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JAN 31 2013

PUBLIC SERVICE
COMMISSION

January 28, 2013

Ms. Linda Faulkner
Filings Director
KY Public Service Commission
PO Box 615
Frankfort KY 40602-0615

RE: PSC Case No. 2012-00189

Dear Ms. Faulkner:

Enclosed are two Rural Development Loan Resolution Security Agreements with Rowan Water, Inc. The first one is for the original amount of the loan of \$931,000 and the second is for an additional \$100,000 that was borrowed after the project was bid.

These are being sent to you to satisfy a requirement of the final order in this case. I emailed a copy of these to the general email address of the Commission on January 25, 2013. I received a reply that it would be forwarded to the appropriate person.

Should you have any questions please contact me at 859-333-9742 or hnicholas@kyengr.com.

Sincerely,

KENTUCKY ENGINEERING GROUP, PLLC

A handwritten signature in cursive script that reads "Holly L. Nicholas". The signature is written in black ink and is positioned above a horizontal line.

Holly L. Nicholas

Pc: Jerry Patrick, Manager, Rowan Water, Inc.
Riley Sumner, Project Manager, KY Engineering Group

P.O. Box 1034
Versailles, Kentucky 40383
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LOAN RESOLUTION SECURITY AGREEMENT

A RESOLUTION OF THE Board of Directors
OF THE Rowan Water, Inc.
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE
PRINCIPAL AMOUNT OF \$931,000 FOR THE PURPOSE
OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A
Water FACILITY, PROVIDING FOR THE COLLECTION, HANDLING,
AND DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY
NOTE(S), SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND
SECURE THE PAYMENT OF SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Rowan Water, Inc.
(hereinafter referred to as the "Organization"), was organized under
KRS Chapter 74 for the purpose of providing a
operate water system (hereinafter referred to
as the "Facility") to serve the Members of the said Organization; and

WHEREAS, a meeting of the members of the said organization was held on the 11th day of JUNE, 2012
pursuant to proper notice thereof to consider plans for the acquisition and construction methods of financing the Facility; and,
as shown by the minutes of said meeting, of the 5 members of record of the organization there were
present and voting 5, and by a recorded majority vote, the Facility and its financing authorized; and,

WHEREAS, the proposed Facility is to be constructed and equipped in accordance with plans and specifications
prepared by Kentucky Engineering Group, PLLC

and in order to finance the Facility, the Board of Directors
(hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the
organization, to make application to the United States of America, acting through the United States Department of Agriculture,
(hereinafter referred to as the "Government"), for financial assistance; to cause the execution and delivery of a promissory
note or notes or other evidence of indebtedness (hereinafter referred to as the "note"), and appropriate security instruments
to secure any loan or loans made or insured by the Government; to comply with any requirements, terms or conditions prescribed
by the Government or by Government regulations; and to execute contracts or enter into agreements and, without limitation, to take
any and all other action as may be necessary, incidental or appropriate to finance, acquire, construct, complete, and/or equip the Facility
for and on behalf of the Organization.

NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by obtaining
a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and Rural Development
Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility, taking into
consideration prevailing private and cooperative rates and terms currently available;

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.

Section 2. (Terms of Loan). That the Organization borrow \$931,000 and issue as evidence thereof an installment promissory note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary, and have the corporate seal of the Organization affixed thereto, and shall bear interest from its date, which shall be the date of delivery, at a rate not to exceed 3.3750% percent per annum;

the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The Treasurer of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The Treasurer is hereby directed to establish the following accounts into which the current funds shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account.

The proceeds of the borrowing hereby authorized not disbursed contemporaneously with loan closing for incurred Facility

costs, and at least the amount of \$0 to be contributed by the Organization from the collection of initial connection fees, membership fees, or contributions shall be deposited in the Construction Account, which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the

Treasurer of the Organization as authorized by the Board from time to time, and with prior concurrence of the Government. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with U.S. Treasury Department Circular No. 176. Withdrawals from a supervised bank account

shall be made only on checks signed by the Treasurer of the Organization and countersigned by an authorized official of the Department of Agriculture. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) General Account

As soon as the facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account, and disbursements and transfers from this account shall be in the following priority: Debt Service, Operations and Maintenance, transfers to Reserve Account. Monies deposited in the General Account shall be used only in the manner and order as follows:

(1) Borrowers making monthly USDA Debt Service Payments shall use the General Account for making such payments plus operating and maintenance expenses. Also, funds will be transferred from this account to the Reserve Account in accordance with (d) below.

(2) Borrowers making other than monthly USDA Debt Service Payments shall use the General Account to pay operating and maintenance expenses. Other transfers from this account will be made in the following order: (i) Transfers to the Debt Service Account will be made in accordance with (c) below, (ii) Transfers to the Reserve Account will be made in accordance with (d) below.

Section 6. (Security Instruments). In order to secure the payment of the principal and interest of the note, the President and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets both real and personal constituting said Facility, as completed or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Organization will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. In the case of a grant in the sum not to exceed \$399,000, the Organization hereby accepts the grant under the terms as offered by the Government and that the President and Vice-President of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the facility under the terms as offered in said grant agreement(s).

Section 10. Default under the provisions of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution of Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the note hereby authorized remains unpaid.

Section 12. This resolution shall take effect and be in force from and after the 11th day of JUNE, 2012, being the date of its enactment.

The vote was: Yeas 5 Nays 0 Absent N/A

Rowan Water, Inc.

(SEAL) (if applicable)

By Larry Johnson
Larry Johnson

Attest:

Title President

Title Sec. Treas.

CERTIFICATION

I, the undersigned, as secretary of the Rowan Water, Inc. hereby certify that the Board of Directors of such Organization or Corporation is composed of 5 members of whom 5, constituting a quorum, were present at a meeting thereof duly called and held on the 11th day of JUNE, 2012; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this 11th day of JULY, 2012

Secretary of Rowan Water, Inc.

5/45

LOAN RESOLUTION SECURITY AGREEMENT

A RESOLUTION OF THE Board of Directors

OF THE Rowan Water, Inc.
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE

PRINCIPAL AMOUNT OF \$100,000 FOR THE PURPOSE

OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A

Water FACILITY, PROVIDING FOR THE COLLECTION, HANDLING,
AND DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY
NOTE(S), SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND
SECURE THE PAYMENT OF SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Rowan Water, Inc.

(hereinafter referred to as the "Organization"), was organized under

KRS Chapter 74 for the purpose of providing a

operate water system (hereinafter referred to
as the "Facility") to serve the Members of the said Organization; and

WHEREAS, a meeting of the members of the said organization was held on the 11th day of JUNE, 2012
pursuant to proper notice thereof to consider plans for the acquisition and construction methods of financing the Facility; and,

as shown by the minutes of said meeting, of the 5 members of record of the organization there were
present and voting 5, and by a recorded majority vote, the Facility and its financing authorized; and,

WHEREAS, the proposed Facility is to be constructed and equipped in accordance with plans and specifications

prepared by Kentucky Engineering Group, PLLC

and in order to finance the Facility, the Board of Directors
(hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the
organization, to make application to the United States of America, acting through the United States Department of Agriculture,
(hereinafter referred to as the "Government"), for financial assistance; to cause the execution and delivery of a promissory
note or notes or other evidence of indebtedness (hereinafter referred to as the "note"), and appropriate security instruments
to secure any loan or loans made or insured by the Government; to comply with any requirements, terms or conditions prescribed
by the Government or by Government regulations; and to execute contracts or enter into agreements and, without limitation, to take
any and all other action as may be necessary, incidental or appropriate to finance, acquire, construct, complete, and/or equip the Facility
for and on behalf of the Organization.

NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by obtaining
a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and Rural Development
Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility, taking into
consideration prevailing private and cooperative rates and terms currently available;

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Section 2. (Terms of Loan). That the Organization borrow \$100,000 and issue as evidence thereof an installment promissory note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary, and have the corporate seal of the Organization affixed

thereto, and shall bear interest from its date, which shall be the date of delivery, at a rate not to exceed 2.7500% percent per annum;

the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

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shall be made only on checks signed by the Treasurer of the Organization and countersigned by an authorized official of the Department of Agriculture. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

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Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. In the case of a grant in the sum not to exceed N-A, the Organization hereby accepts the grant under the terms as offered by the Government and that the President and Vice-President of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the facility under the terms as offered in said grant agreement(s).

Section 10. Default under the provisions of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

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Section 12. This resolution shall take effect and be in force from and after the 11th day of JUNE, 2012, being the date of its enactment.

The vote was: Yeas 5 Nays 0 Absent N/A

(SEAL) (if applicable) Attest: Ernest Blair Title Sec. Treas.
By Larry Johnson Title President
Rowan Water, Inc.

CERTIFICATION

I, the undersigned, as secretary of the Rowan Water, Inc. hereby certify that the Board of Directors of such Organization or Corporation is composed of 5 members of whom 5, constituting a quorum, were present at a meeting thereof duly called and held on the 11th day of JUNE, 2012; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this 11th day of JULY, 2012
Ernest Blair
Secretary of Rowan Water, Inc.