

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED)
ADJUSTMENT OF THE WHOLESALE) CASE NO. 2017-00417
WATER SERVICE RATES OF)
LEBANON WATER WORKS)

TESTIMONY OF
DAREN THOMPSON
OPERATIONS & MANAGEMENT SUPERINTENDENT
LEBANON WATER WORKS COMPANY

Filed: March 21, 2018

1 **INTRODUCTION**

2 **Q. Please state your name, position, and business address.**

3 A. My name is Daren Thompson. I am the Operations & Management
4 Superintendent of Lebanon Water Works Company (the “Company”).
5 My business address is 120 S. Proctor Knott Avenue, Lebanon, Kentucky
6 40033. A statement of my qualifications and work experience is attached
7 as Appendix A.

8 **Q. What is your role as the Operations & Management Superintendent?**

9 A. As the Operations & Management Superintendent of the Company, I
10 essentially act as the General Manager or Chief Executive Officer of the
11 Company. I am responsible for overseeing the daily operations,
12 management, and supervising all employees of the Company. I report to
13 the Board of Directors. I am also responsible for executing the policies
14 adopted by the Board.

15 **Q. Did you previously testify in this proceeding?**

16 A. Yes. I filed testimony in support of the Company’s Motion for an Order
17 Establishing Procedural Schedule and Assigning Burden of Proof on
18 January 31, 2018 (“Thompson Testimony of January 31, 2018”).

19 **Q. Is the Thompson Testimony of January 31, 2018 still correct?**

1 A. Yes. My testimony of January 31, 2018 remains correct. I hereby
2 incorporate by reference the Thompson Testimony of January 31, 2018
3 and the exhibits attached thereto.

4 **Q. What is the purpose of your testimony?**

5 A. The purpose of my testimony is to explain why the proposed rate for the
6 provision of wholesale water service to Marion County Water District
7 (“Marion District”) is fair, just, and reasonable. Particularly, I will
8 discuss the following topics: (1) Relationship Between Company and
9 City; (2) System Overview; (3) Rate Adjustment to Marion District; (4)
10 Need for Rate Increase; (5) Campbellsville Water Transmission Main;
11 (6) Capital Projects; (7) Service Agreements and Deferred Maintenance
12 Projects; (8) GIS Updates; (9) Development of New Rates; (10) Electric
13 Rate Increase; (11) Pension Expense; (12) Bond Ordinances; (13) Long-
14 Term Debt; (14) Debt Service Coverage; (15) Efforts to Reduce Health
15 Insurance Costs; and (16) Rate Case Expense.

16 **RELATIONSHIP BETWEEN COMPANY AND CITY**

17 **Q. Is the Company part of city government or is it a separate legal**
18 **entity?**

1 A. The Company is a separate, independent, legal entity. It is not part of the
2 Lebanon City Government. The Company is a non-profit corporation. It
3 was created by an act of the Kentucky General Assembly in 1884.

4 **Q. Who is the shareholder of the Company?**

5 A. The City of Lebanon is the Company's sole shareholder.

6 **Q. Who appoints the Board of Directors?**

7 A. The Mayor nominates the Board Members and the City Council ratifies
8 and approves the appointment of the Board members. Once appointed,
9 the Board of Directors functions independently and exercises its own
10 discretion in the management and operation of the Company's facilities.

11 **Q. Who sets the water rates?**

12 A. The Company recommends rate adjustments, but only the Lebanon City
13 Council can set rates.

14 **Q. What utilities does the Company provide?**

15 A. The Company owns and operates raw water storage, water treatment,
16 finished water storage, transmission, and distribution facilities. It
17 provides water service to 2,644 customers, including Marion County
18 Water District. Its customers are located in and near Lebanon, Kentucky.
19 The Company does **not** provide sanitary sewer service or storm water

1 service. The Company does not provide street maintenance or any other
2 Public Works services that many municipal utilities provide.

3 **Q. Who provides sanitary sewer service for the customers in Lebanon?**

4 A. The City of Lebanon has a separate department that provides sanitary
5 sewer service.

6 **SYSTEM OVERVIEW**

7 **Q. Please generally describe the Company's water system.**

8 A. Certainly. The Company's system is concentrated within the territorial
9 limits of the City of Lebanon. Nearly three-quarters (3/4) of the
10 Company's distribution system is old and made of cast iron. The Water
11 Treatment Plant is located at the southern point of the Company's system
12 in Calvary. A system map, attached to my testimony as **Exhibit 1**,
13 depicts the Company's water system.

14 **Q. What are the sources of the Company's water?**

15 A. The Company withdraws its water from the Rolling Fork River and the
16 Fagan Branch Reservoir. Water is primarily withdrawn from the Rolling
17 Fork River. In the past, water was only used from the Fagan Branch
18 Reservoir when the water in the Rolling Fork River was muddy or in
19 times of extreme drought when water was not flowing over the dam in

1 the Rolling Fork River. Today, the Company monitors the water quality
2 of each source. The Fagan Branch Reservoir is about 140 acres.

3 **Q. Describe the Company's water tanks.**

4 A. The Company has three (3) water storage tanks. The Springfield Road
5 Tank is located near the northern point of the Company's system. The
6 two (2) remaining tanks are often referred to as "twin tanks" and are both
7 located near the southern point of the system and Old Calvary Road. The
8 twin tanks each hold 940,000 gallons. The Springfield Road Tank holds
9 approximately 250,000 gallons.

10 **Q. Please describe the Company's pump stations.**

11 A. The Company uses a pump station located at the Water Treatment Plant
12 and the Warehouse Road booster pump station to pump water throughout
13 its system.

14 **Q. Describe the Master Meters by which Marion District receives water
15 from the Company.**

16 A. Marion District receives water from the Company by twelve (12) Master
17 Meters at ten (10) locations around the perimeter of the Company's
18 transmission and distribution system.

19 **Q. How does water move through the Company's system?**

1 A. After treatment at the Water Treatment Plant, the water is pumped into
2 the Company's transmission and distribution system and fills the Calvary
3 twin tanks. The Warehouse Road booster pump station is used to create a
4 separate pressure plane and fill the Springfield Road Tank. The water is
5 then distributed throughout the Company's system.

6 **Q. Does the Company utilize the entire system to provide water to
7 Marion District?**

8 A. Yes. Every foot of pipe, every pump station, and every tank is utilized to
9 supply water to Marion District.

10 **RATE ADJUSTMENT TO MARION DISTRICT**

11 **Q. Describe the process by which the Company adjusts its rates to
12 Marion District.**

13 A. The Company has been providing water service to Marion District by
14 contract since 1968. The Water Purchase Agreement currently in place
15 was made and entered into on December 23, 1988 ("Master
16 Agreement").¹ The Master Agreement provides the method for adjusting
17 rates to Marion District. It states:

18 It is understood and agreed that the Company may hereafter
19 modify its rate schedule by increasing or decreasing the rates
20 charged its customers, including the District. . . . With
21 respect to any future application for modification of its rates,

¹ The Master Agreement is attached as Exhibit 1 of Thompson Testimony of January 31, 2018.

1 the Company shall present only to the City Council of
2 Lebanon, Kentucky, the basis upon which such rate
3 modification is sought. Whereupon, the City Council,
4 having heard and considered such application for rate
5 modification, and any protest or objection thereto, may enact
6 by proper Ordinance a rate schedule fixing those rates to be
7 charged by the Company to its customers, including the
8 District.

9 This portion of the Master Agreement has not been modified by any of
10 the amendments to the Master Agreement.

11 Thus, the process to increase rates to Marion District is identical to
12 the process to increase rates to all other Company retail customers. The
13 Company must present the basis for the rate increase to the Lebanon City
14 Council. Then, for a rate increase to be approved, the Lebanon City
15 Council must adopt an Ordinance fixing a rate schedule for the Company.
16 It should be noted that adopting an Ordinance requires adopting a First
17 Reading at a Lebanon City Council meeting and adopting a Second
18 Reading at a subsequent City Council meeting.

19 **Q. Is Marion District protected from unreasonable rate increases?**

20 A. Yes. The Master Agreement provides protection to Marion District by
21 requiring the use of a single, uniform rate to Marion District and Lebanon
22 city residents. The single, uniform rate is also reflected in the City
23 Ordinances. Ordinance 1987-12 provided one set of rates that applied to
24 “all persons who use the waterworks facilities of the City of Lebanon,

1 Kentucky.”² Ordinance 1991-08 more specifically set out the single,
2 uniform rate:

3 All users who [*sic*] service is provided through a meter
4 located outside the municipal limits of the City of Lebanon
5 shall pay 110% of the applicable charge provided for under
6 the uniform minimum water rate schedule set out above.
7 **Provided, however, this shall not apply to the Marion**
8 **County Water District, which shall pay those charges set**
9 **forth in the uniform minimum water rate schedule.**³

10
11 In each of the four (4) subsequent ordinances it has adopted modifying
12 the rates in the Master Agreement, the Lebanon City Council has
13 expressly provided that Marion District will be subject to the single,
14 uniform rate applicable to customers within the City limits.⁴

15 The Master Agreement provides that any rate increase must be
16 approved by the Lebanon City Council. Because Marion District
17 contractually pays the same rate as all other Company retail customers, if
18 the Lebanon City Council were to adopt an unreasonable rate for Marion
19 District, it must adopt an unreasonable rate for all other Company retail
20 customers. The Company’s retail customers are the constituents of the
21 Lebanon City Council. This political accountability was placed in the
22 Master Agreement to protect all customers.

² Exhibit 9 of Thompson Testimony of January 31, 2018 at 1.

³ Exhibit 10 of Thompson Testimony of January 31, 2018 at 2 (emphasis added).

⁴ Exhibits 11-14 of Thompson Testimony of January 31, 2018.

1 **Q. Has the Company previously used this process established in the**
2 **Master Agreement to adjust wholesale water service rates to Marion**
3 **District?**

4 A. Yes. Prior to 2017, the Company and Marion District followed the
5 process established in the Master Agreement to adjust rates for water
6 service four (4) times without incident. The amount of the four (4) rate
7 adjustments and the current proposed rate increase are shown below:

Date	Percent (%) Increase
1991	97%
1997	21%
2007	38%
2013	17%
2017	34%

8
9 In each instance, the Lebanon City Council reviewed and approved
10 the Company’s proposed rate with no objections from Marion District.

11 **NEED FOR RATE INCREASE**

12 **Q. Why does the Company now require a rate adjustment?**

13 A. In meetings with Marion District and in presentations I made at various
14 community forums, the Company stressed three (3) **primary** “drivers”
15 for the proposed rate increase: (1) need to replace aging infrastructure
16 components (both at the water treatment plant and in the transmission
17 and distribution system); (2) need to increase the supply of water by

1 completing the construction of the new Campbellsville Water
2 Transmission Main and purchasing substantial quantities of water from
3 Campbellsville; and (3) need to perform various repair and maintenance
4 projects, which have been deferred in past years, throughout the
5 Company's existing infrastructure. In addition, the proposed rate
6 increase will enable the Company to fully fund depreciation expense and
7 meet its Debt Service Coverage requirements as required by its Bond
8 Ordinances.

9 **CAMPBELLSVILLE WATER TRANSMISSION MAIN**

10 **Q. Please describe the Marion/Taylor Interconnect Project.**

11 A. Certainly. The Marion/Taylor Interconnect Project is commonly referred
12 to as the "Campbellsville Water Transmission Main." The infrastructure
13 improvements made by the Company in completing the Campbellsville
14 Water Transmission Main consisted of constructing approximately
15 50,000 linear feet of a 12-inch diameter PVC water transmission main
16 and related appurtenances. The water main commences a short distance
17 from a new water storage tank located near the Taylor-Marion County
18 line. The tank was constructed, and will be owned, operated, and
19 maintained, by the City of Campbellsville ("Campbellsville"). The water
20 main generally follows U.S. Highway 68 from the Taylor-Marion County

1 line to the south side of Lebanon. The water main connects to an existing
2 16-inch diameter water transmission main in the Lebanon By-pass
3 Industrial Park near Walmart. Potable water will flow by gravity from
4 the Campbellsville tank located at the Taylor-Marion County line into the
5 Company's system without the Company doing any pumping.

6 **Q. Why was the Campbellsville Water Transmission Main constructed?**

7 A. The Campbellsville Water Transmission Main was constructed to provide
8 the Company with a supplemental source of supply of potable water.
9 The Company and its largest customer, Marion District, have long
10 realized the need to obtain additional sources of supply. The Company's
11 existing water treatment plant has adequate treatment capacity for the
12 foreseeable future, but source of supply is the limiting factor. The
13 Company draws raw water from the Rolling Fork River and from the
14 Fagan Branch Reservoir. During the summer months, the Company
15 reaches its maximum permitted withdrawal amounts from the Rolling
16 Fork River and must utilize the available water in the Fagan Branch
17 Reservoir. The reservoir has a small watershed and water must be
18 pumped from the Rolling Fork River into the reservoir during the winter
19 months and periods of high flows in the river. During continued drought
20 conditions, raw water supply is constrained.

1 **Q. Is purchasing water from Campbellsville the best solution to the**
2 **supply issues you identified above?**

3 A. Yes. The Company and its Board of Directors considered various
4 supplemental sources of water and determined that purchasing water
5 from Campbellsville was the best solution. The additional water supply
6 will allow the Company the flexibility to shut down all or a portion of its
7 water treatment plant to perform maintenance that is long overdue.

8 **Q. How did the Company fund the Campbellsville Water Transmission**
9 **Main?**

10 A. The Campbellsville Water Transmission Main was funded with a low
11 interest loan from the Kentucky Infrastructure Authority (“KIA”). The
12 loan is identified as KIA Loan No. F14-036. The Assistance Agreement
13 between KIA and the Company is attached as **Exhibit 2**. The principal
14 amount is \$3,230,000 payable over 20 years. The interest rate is 0.75%,
15 plus a 0.25% Administrative Fee. The Company requested and received
16 the maximum amount of principal forgiveness on this loan. The principal
17 amount to be forgiven is \$969,000. Thus, the amortized loan amount is
18 \$2,261,000. The annual debt service will be approximately \$127,605.

19 **Q. Was this amount included in your Revenue Requirements?**

1 A. Only \$95,893 was included in the Revenue Requirements because the
2 Project came in under budget and we were not sure if KIA would let us
3 utilize the remaining funds. We have since received approval to spend
4 the remaining funds. We have also been informed by KIA that we will
5 need to a make a loan payment (both principal and interest) on the entire
6 loan amount commencing on June 1, 2018. *See* KIA Letter dated August
7 18, 2017 attached as **Exhibit 3**.

8 **Q. What was the actual project cost of the Campbellsville Water**
9 **Transmission Main?**

10 A. The actual project cost was \$2,534,597.

11 **Q. When was the Campbellsville Water Transmission Main placed into**
12 **service?**

13 A. The Campbellsville Water Transmission Main was placed into service on
14 March 5, 2018. The Company's portion of the project had been
15 completed for several months, but the Company had to wait for
16 Campbellsville to complete its portion before placing it into service.

17 **Q. Will the Company be purchasing water from Campbellsville**
18 **pursuant to a contract?**

19 A. Yes. As the Company stated in its Response to Question 2B of the
20 Commission Staff's Request for Information Dated February 28, 2018,

1 the Company entered into a Water Purchase Contract (the
2 “Campbellsville Contract”) whereby the Company would purchase a
3 supplemental supply of potable water from Campbellsville on December
4 29, 2015. A copy of the Campbellsville Contract is attached to the
5 Company’s Response to Question 2B and is also attached hereto as
6 **Exhibit 4.**

7 **Q. Does the Campbellsville Contract impose minimum purchase**
8 **requirements?**

9 A. Yes. The Campbellsville Contract requires the Company to purchase a
10 minimum of 300,000 gallons of water per day (“GPD”). The maximum
11 purchase amount is 1,000,000 GPD. The rate per 1,000 gallons declines
12 as the amount purchased increases. Pursuant to paragraphs 1 and 8 of the
13 Campbellsville Contract, annually the Company must decide the amount
14 of its minimum daily purchases and notify Campbellsville of this
15 decision. Paragraph 8 of the Campbellsville Contract contains a schedule
16 of rates based upon the minimum daily purchase amount. The wholesale
17 rate is then “fixed” for the ensuing fiscal year based upon the stated
18 minimum daily purchase amount. The wholesale rate is not reduced if
19 the Company purchases more than the stated amount. Thus, it behooves

1 the Company to accurately estimate the volume of water that it will need
2 to purchase so it can obtain the benefit of the lower wholesale rate.

3 **Q. How much water has the Company agreed to purchase via the**
4 **Campbellsville Contract?**

5 The Company has agreed to purchase 400,000 GPD. The Company
6 considered various minimum purchase alternatives, but primarily focused
7 on purchasing either 300,000 GPD (the minimum amount allowed under
8 the Campbellsville Contract) or 400,000 GPD.

9 **Q. Why did the Company choose to purchase 400,000 GPD from**
10 **Campbellsville?**

11 A. The Company's Board of Directors ultimately made a business decision
12 to purchase 400,000 GPD for the first year so the Company will have
13 increased flexibility to shut down all or a portion of its water treatment
14 plant to perform maintenance that is long overdue. Until now, it has not
15 had this "luxury." The Company could not take its water treatment plant
16 out-of-service for extended periods of time to make major repairs or to
17 rehabilitate it because it lacked a supplemental source of supply. Now, it
18 can schedule periodic maintenance projects at its water treatment plant
19 without fear of water shortages.

1 **Q. Will the Company always purchase 400,000 GPD from**
2 **Campbellsville?**

3 A. Not necessarily. The Company plans to revisit the minimum daily
4 purchase amount annually, as required by the Campbellsville Contract,
5 and will endeavor to optimize its minimum daily purchase amount
6 depending upon the circumstances existing at that time.

7 **Q. Please describe the cost of purchasing water from Campbellsville**
8 **and the recent rate reduction.**

9 A. Certainly. When the Company signed the Campbellsville Contract, the
10 Contract provided for the rate of \$3.96 per 1,000 gallons if 300,000 GPD
11 is purchased and \$3.36 per 1,000 gallons if 400,000 GPD is purchased.
12 The Company consequently reported in its Response to Question 2B of
13 the Commission Staff's Request for Information Dated February 28,
14 2018 that the annual cost to the Company is **\$490,560** if 400,000 GPD is
15 purchased (400,000 x 365 x \$3.36) and **\$433,620** if 300,000 GPD is
16 purchased (300,000 x 365 x \$3.96). Pursuant to the Campbellsville
17 Contract, Campbellsville recently re-calculated the rates based on its
18 current cost of service. After this re-calculation, the new rate that
19 Campbellsville will charge the Company is \$3.46 if 300,000 GPD is
20 purchased and \$2.99 if 400,000 GPD is purchased. This results in an

1 annual cost to the Company of **\$436,540** if 400,000 GPD is purchased
2 (400,000 x 365 x \$2.99) and **\$378,870** if 300,000 GPD is purchased
3 (300,000 x 365 x \$3.46).

4 **Q. Will the Company reduce the Revenue Requirements as a result of**
5 **the Campbellsville Contract rate decrease?**

6 A. Yes. As a result of the rate decrease, Purchased Water expense will be
7 reduced from \$490,560 to \$436,540. This is a savings of **\$54,020**.

8 **Q. What is the depreciation expense associated with the Campbellsville**
9 **Water Transmission Main?**

10 A. The annual depreciation expense of the Campbellsville Water
11 Transmission Main is \$63,365 (\$2,534,597 divided by 40 years).

12 **Q. Is the annual depreciation expense of the Campbellsville Water**
13 **Transmission Main included in the Revenue Requirements?**

14 A. No, it is not. The project was not included in the Revenue Requirements
15 because it was completed in the Fiscal Year Ending June 30, 2017.
16 When the proposed rates were developed, the 2017 audit was not yet
17 complete.

1 **CAPITAL PROJECTS**

2 **Q. Do the Company's Revenue Requirements include depreciation**
3 **expense for all the capital projects that have been completed and**
4 **placed into service?**

5 A. No. The Revenue Requirements need to be adjusted to include
6 depreciation expense for the following Capital Projects: (1)
7 Marion/Taylor Interconnect Project (Campbellsville Water Transmission
8 Main); (2) Raw Water Pump Station Project; (3) Woodlawn Avenue
9 Project; (4) Water Treatment Plant Filter Rehab Project; and (5) WTP
10 Clearwell Access and Valve Repair Project. The latter Project will not be
11 completed until May, 2018. I previously discussed the Campbellsville
12 Water Transmission Main.

13 **Q. Please describe the Raw Water Pump Station Project.**

14 A. The Raw Water Pump Station Project consisted primarily of replacing
15 pumps and electrical motor controls at the Raw Water Pump Station.

16 **Q. Please provide additional information regarding the Raw Water**
17 **Pump Station Project.**

1 A.

Raw Water Pump Station Project	
Date Placed Into Service	November 15, 2016
Cost	\$641,423
Source of Funds	Depreciation Reserve Funds
Useful Life	7 years
Annual Depreciation Expense	\$91,632 (\$641,423 divided by 7 years)

2

3 Depreciation expense for the Raw Water Pump Station Project was not
4 included in the Revenue Requirements.

5 **Q. Please describe the Woodlawn Avenue Project.**

6 A. The Woodlawn Avenue Project consisted of the replacement of old cast
7 iron water line along Woodlawn Avenue and Loretto Road (Ky. Hwy.
8 49) that was prone to breaks and leaks. The pipe was replaced with
9 approximately 6,000 linear feet of 6-inch diameter PVC pipe along
10 Woodlawn Avenue and approximately 1,700 linear feet of 6-inch
11 diameter PVC pipe along Loretto Road.

12 **Q. Please provide additional information regarding the Woodlawn**
13 **Avenue Project.**

1 A.

Woodlawn Avenue Project	
Date Placed Into Service	September 30, 2016
Cost	\$710,265
Source of Funds	KIA Loan No. F15-057 for \$720,000
Useful Life	40 years
Annual Depreciation Expense	\$17,757 (\$710,265 divided by 40 years)

2

3 Depreciation expense for the Woodlawn Avenue Project was not
4 included in the Revenue Requirements.

5 **Q. Please describe the Water Treatment Plant Filter Rehab Project.**

6 A. The Water Treatment Plant Filter Rehab Project is really a deferred
7 maintenance project. It consisted of chemically cleaning and replacing
8 the media in 4 of the 8 filters at the Water Treatment Plant. This rehab
9 was long overdue. The rehab of the remaining 4 filters is included in a
10 larger project which will be funded by KIA.

11 **Q. Please provide additional information regarding the Water
12 Treatment Plant Filter Rehab Project.**

13 A.

Water Treatment Plant Filter Rehab Project	
Date Placed Into Service	August 8, 2017
Cost	\$62,839
Source of Funds	Depreciation Reserve Funds
Useful Life	7 years
Annual Depreciation Expense	\$8,977 (\$62,839 divided by 7 years)

1 Depreciation expense for the Water Treatment Plant Filter Rehab Project
2 was not included in the Revenue Requirements.

3 **Q. Please describe the WTP Clearwell Access and Valve Repair Project.**

4 A. The WTP Clearwell Access and Valve Repair Project consists of: sawing
5 an opening in the concrete clearwell; installing a hatch so maintenance
6 workers can gain easy access to the clearwell; replacing valves; repairing
7 two (2) sluice gates; and replacing two (2) sluice gates with rotating disc
8 valves. Currently, the Company cannot isolate portions of the Water
9 Treatment Plant (“WTP”) to perform routine preventative maintenance or
10 other repairs and maintenance. This means the entire WTP must be shut
11 down for a few hours at a time while the maintenance work is being
12 performed. The maintenance work must be done in phases. This takes
13 longer and is more expensive. Upon completion of this Project, the
14 Company can isolate one half of the WTP for preventative maintenance
15 or other repairs or maintenance while keeping the remaining one half of
16 the WTP operating. With the supplemental supply of treated water from
17 Campbellsville, the Company can still meet the needs of its customers
18 while the WTP maintenance activities are being performed.

19 **Q. Please provide additional information regarding the WTP Clearwell**
20 **Access and Valve Repair Project.**

1 A.

WTP Clearwell Access and Valve Repair Project	
Date Placed Into Service	Estimated to be placed into service in May 2018
Cost	\$192,250
Source of Funds	Depreciation Reserve Funds
Useful Life	Most of the Project will be 7 years and a small portion of it will be 20 years
Annual Depreciation Expense	\$25,390

2

3 Depreciation expense for the WTP Clearwell Access and Valve Repair
4 Project was not included in the Revenue Requirements.

5 **Q. What amount of depreciation expense did the Company include in its**
6 **Revenue Requirements?**

7 A. In the rate study further described in the Testimony of Holly Nicholas,
8 annual depreciation of \$600,000 was used. To fully account for the
9 depreciation of these projects, our Revenue Requirements need to be
10 increased for annual depreciation greater than \$600,000.

11 **SERVICE AGREEMENTS AND**

12 **DEFERRED MAINTENANCE PROJECTS**

13 **Q. Has the Company entered into any service contracts or agreements**
14 **with third parties to perform Deferred Maintenance Projects at the**
15 **WTP or to provide other ongoing services?**

16 A. Yes.

1 **Q. List these service providers, describe the service, state the amount**
2 **that will be owed to each provider, and state whether the fee will be**
3 **an ongoing expense for the foreseeable future.**

4 **A. 1. Clearwell Cleaning**

- 5 (a) Name: S4 Water Company
- 6 (b) Description: Thorough cleaning of WTP Clearwell
- 7 (c) Amount: \$16,075 annually
- 8 (d) Duration: Next several years

9
10 **2. Filter Cleaning**

- 11
- 12 (a) Name: S4 Water Company
- 13 (b) Description: Preventative maintenance work on WTP filters;
14 some work will be done quarterly and some
15 work will be done annually
- 16 (c) Amount: \$19,465 total annual amount
- 17 (d) Duration: Next 6 years

18
19 **3. Electrical Inspections and Testing**

- 20
- 21 (a) Name: C.E. Power Solutions
- 22 (b) Description: Testing and repairing circuit breakers and
23 motor controls at WTP; this is a safety issue
24 and a reliability issue
- 25 (c) Amount: \$34,622 already paid for initial work; going
26 forward, the amount will be \$10,000 annually
- 27 (d) Duration: For foreseeable future

28
29 **4. Megger Testing**

- 30
- 31 (a) Name: Lebanon Power & Apparatus
- 32 (b) Description: Megger Testing on electric motors;
- 33 (c) Amount: \$1,500 annually
- 34 (d) Duration: For foreseeable future

35
36 **5. Sludge Hauling**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

- (a) Name: Smith Grain
- (b) Description: Hauling sludge from WTP to City of Lebanon’s Wastewater treatment plant (2 times per week for 52 weeks per year times \$225 per load)
- (c) Amount: \$23,400 total annual amount
- (d) Duration: For foreseeable future

Q. Will these service agreement fees or other expenses be recurring expenses for the next few years?

A. Yes.

Q. Were any of these amounts included in the Company’s Revenue Requirements?

A. No.

GIS UPDATES

Q. Has the Company recently completed any updates to its GIS System?

A. Yes. The Company recently completed a GIS Base Mapping Project and a GIS Asset Management Solution.

Q. Please describe the GIS Base Mapping Project.

A. The Company entered into an Interagency Agreement with the City of Lebanon and the Marion County PVA Office to update the base mapping which is necessary for GIS. We will jointly pay for having a third party provide updated aerial photography of the entire county. Each of the three (3) parties will pay \$50,000, which is \$16,667 each annually for

1 three years. The GIS Base Mapping Project began in September 2017.
2 This annual expense for the GIS Base Mapping Project was not included
3 in the Revenue Requirements.

4 **Q. Please describe the GIS Asset Management Solution.**

5 A. The GIS Asset Management Solution was conducted through ESRI,
6 which is the leading service provider. It involved a mapping upgrade of
7 the GIS system and added the Asset Management Solution. The
8 Company paid ESRI a one-time \$10,400 fee for training the Company's
9 staff on the new GIS Mapping upgrade and Asset Management Solution.
10 This fee will not be a recurring expense. The Company will also pay a
11 \$4,000 annual license fee to ESRI.

12 **Q. Was this annual fee included in the Revenue Requirements?**

13 A. No.

14 **DEVELOPMENT OF NEW RATES**

15 **Q. How did the Company develop its proposed rates?**

16 A. As I previously explained, the Company followed the method for
17 adjusting rates to Marion District set forth in the Master Agreement. As
18 provided in the Master Agreement, the Company proposed a single,
19 uniform rate to be charged to Marion District and the Company's retail

1 customers. After review as provided in the Master Agreement, the
2 Lebanon City Council approved the proposed rate increase.

3 **Q. Did the Company conduct a Cost of Service Study?**

4 A. No. A Cost of Service Study is unnecessary. By ordinance and contract,
5 the Company is required to charge Marion District the single, uniform
6 rate established through the process I previously explained. Furthermore,
7 performing a Cost of Service Study would be very expensive and time
8 consuming. For these reasons, the Company has never undertaken a Cost
9 of Service Study to develop its rates.

10 **ELECTRIC RATE INCREASE**

11 **Q. Is electricity a significant portion of the Company's costs?**

12 A. Yes. Roughly 10 percent of the Company's expenses are electricity.

13 **Q. Have the Company's costs of electricity increased?**

14 A. Yes. Kentucky Utilities Company recently increased their electric rates.
15 The new rates took effect on July 1, 2017. Due to this rate increase, the
16 Company is now paying higher electric rates. The exact amount of the
17 increase over and above the electricity expenses included in the
18 Company's Revenue Requirements is difficult to quantify because of the
19 rate structure and demand charges and how the services at the WTP have
20 to be utilized.

1 **Q. Were increased electric costs included in the Revenue Requirements?**

2 A. No. At the time the Revenue Requirements were calculated, the amount
3 of the electric rate increase was not known.

4 **PENSION EXPENSE**

5 **Q. Does the Company participate in the County Employees Retirement**
6 **System?**

7 A. Yes.

8 **Q. Provide the Company's share of pension expense that was factored**
9 **into the Company's Revenue Requirements.**

10 A. In its Revenue Requirements, the Company identified \$118,000 of
11 pension expense.

12 **Q. Has pension expense increased since the Revenue Requirements were**
13 **calculated?**

14 A. Yes, it has. The Kentucky Retirement Systems sets the final CERS
15 employer contribution rates. For the FYE June 30, 2017, the Company
16 contributed 19.18%. This employer contribution percentage is shown in
17 **Exhibit 5**. The Company's \$118,000 of pension expense was calculated
18 by multiplying the salaries (\$615,200) by the CERS percentage
19 (19.18%). By letter dated December 11, 2017, Kentucky Retirement
20 Systems notified agencies participating in CERS of an increase in

1 employer contribution rates. This letter is attached as **Exhibit 6**.
2 Commencing on July 1, 2018, the Company must contribute 28.05%.
3 Even if salaries remain the same as the test year, this increase in the
4 employer contribution rate increases the Company's pension expense to
5 \$172,564, an increase of \$54,564. The Company is on target to spend
6 slightly over its budgeted salary amount (mainly due to salary
7 adjustments from employees receiving operator licenses), which will
8 cause the cause the Company's pension expense increase to be even
9 higher than \$54,564.

10 **BOND ORDINANCES**

11 **Q. Has the City of Lebanon enacted any Bond Ordinances or entered**
12 **into any Loan Assistance Agreements for the benefit of the Company**
13 **or which have an impact on the Company's financial obligations?**

14 A. Yes.

15 **Q. List these Bond Ordinances and Loan Assistance Agreements and**
16 **provide copies of these documents.**

17 A. The Bond Ordinances and Loan Assistance Agreements are listed below:

- 18 1. **Ordinance No. 91-9.** This Ordinance establishes general rules and
19 regulations which govern the issuance of all future Bonds, but does not
20 actually authorize any Bonds. Copy is attached as **Exhibit 7**.

1 2. **Ordinance No. 91-11.** This Ordinance authorizes the issuance of
2 \$1,400,000 in Bonds (“1992 Bonds”), which were originally purchased
3 and held by the Farmer’s Home Administration (predecessor to USDA,
4 Rural Development.) Copy is attached as **Exhibit 8**. The 1992 Bonds
5 are now held by Citizens National Bank of Lebanon (“CNB”). CNB
6 “stepped into the shoes” of USDA, Rural Development when it
7 purchased these Bonds. The interest rate on the 1992 Bonds is 2.9% and
8 is fixed at this rate until maturity.

9 3. **Ordinance No. 96-15.** This Ordinance authorizes the issuance of
10 \$1,867,000 in Bonds (“1997B Bonds”), which were originally purchased
11 and held by the Rural Utilities Service (predecessor to USDA, Rural
12 Development.) Copy is attached as **Exhibit 9**. The 1997B Bonds are
13 now held by CNB. CNB “stepped into the shoes” of USDA, Rural
14 Development when it purchased these Bonds. The interest rate on the
15 1997B Bonds is 3.5% and is fixed at this rate until maturity.

16 4. **2002 Bond Ordinance.** This Ordinance authorizes the issuance of
17 \$2,787,000 in Bonds (“2002 Bonds”), which were originally purchased
18 and held by the USDA, Rural Development. Copy is attached as **Exhibit**
19 **10**. The 2002 Bonds are now held by CNB. CNB “stepped into the
20 shoes” of USDA, Rural Development when it purchased these Bonds.

1 The interest rate on the 2002 Bonds is 3.5% and is fixed at this rate until
2 maturity.

3 **5. KIA Assistance Agreement – Loan Number B08-09.** The
4 Company borrowed \$582,883 from the Kentucky Infrastructure
5 Authority (“KIA”). The loan is evidenced by an Assistance Agreement,
6 which is attached as **Exhibit 11**. The loan bears interest at the rate of
7 1.07%, plus a 0.20% Service Fee on the unpaid principal. It is for a term
8 of 20 years.

9 **6. KIA Assistance Agreement – Loan Number F14-036.** The
10 original principal amount is \$3,230,000 from KIA, but the Company
11 requested, and received, principal forgiveness in the amount of \$969,000.
12 The net amount of the loan is \$2,261,000. The loan is evidenced by an
13 Assistance Agreement, which is attached as **Exhibit 2**. The loan bears
14 interest at the rate of 0.75%, plus a 0.25% Service Fee on the unpaid
15 principal. It is for a year of 20 years. The total estimated annual debt
16 service on this loan is \$127,605.

17 **7. KIA Assistance Agreement – Loan Number F15-057.** The
18 Company borrowed \$720,000 from KIA. The loan is evidenced by an
19 Assistance Agreement, which is attached as **Exhibit 12**. The loan bears
20 interest at the rate of 0.75%, plus a 0.25% Service Fee on the unpaid

1 principal. It is for a year of 20 years. The total estimated annual debt
2 service on this loan is \$40,635.

3 **LONG-TERM DEBT**

4 **Q. Please list the Company's long-term debt.**

5 A. The Company has the following long-term debt:

6 1. Citizens National Bank Loan No. 77049

7 Interest Rate: 2.90%

8 The Loan No. 77049 note is attached as **Exhibit 13**. The
9 amortization schedule is attached as **Exhibit 14**.

10 2. Citizens National Bank Loan No. 76735

11 Interest Rate: 3.50%

12 The Loan No. 76735 note is attached as **Exhibit 15**. The
13 amortization schedule is attached as **Exhibit 16**.

14 3. KIA Loan B08-09

15 Interest Rate: 1.07%

16 The amortization schedule is attached as **Exhibit 17**.

17 4. KIA Loan F14-036

18 Interest Rate: 0.75%

19 The draft amortization schedule is attached as **Exhibit 18**.

20 5. KIA Loan F15-057

1 Interest Rate: 0.75%

2 The amortization schedule is attached as **Exhibit 19**.

3 **DEBT SERVICE COVERAGE**

4 **Q. Do the Bond Ordinances enacted by the City of Lebanon contain**
5 **provisions concerning Debt Service Coverage requirements?**

6 A. Yes. The 1991 General Water Works Bond Ordinance (Ordinance No.
7 91-9), which is attached as **Exhibit 7**, contains very detailed and specific
8 requirements concerning Debt Service Coverage. All other Bond
9 Ordinances enacted by the City of Lebanon incorporate by reference
10 these same requirements.

11 **Q. What is the Debt Service Coverage amount?**

12 A. 1.25 or 125% of the maximum Annual Debt Service.

13 **Q. Where does the 1991 General Water Works Bond Ordinance**
14 **(Ordinance No. 91-9) specify the Debt Service Coverage?**

15 A. Article VII of Ordinance No. 91-9 contains numerous covenants that the
16 City and the Company are required to uphold to avoid defaulting on the
17 outstanding bonds. See Section 726 of Article VII at pages 47-51 of
18 Ordinance No. 91-9 to review the exact language concerning the Debt
19 Service Coverage requirements. In particular, Section 726 (iii) states as
20 follows starting at the bottom of page 48:

1 (iii) the net annual income and revenues of the System for a
2 period of twelve (12) consecutive months of the fifteen (15)
3 months immediately prior to the issuance of said parity
4 Bonds, are certified in writing by an independent firm of
5 state-licensed Certified Public Accountants (subject to
6 adjustments as hereinafter provided) to have been equal to at
7 least one and twenty-five hundredths (**1.25**) times the
8 maximum Annual Debt Service Requirement coming due in
9 any future Bond Fiscal Year on all Bonds outstanding
10 payable from **Pledged Receipts** together with the parity
11 Bonds then to be issued. (**emphasis added**)
12

13 **Q. What long-term debt service payments are included in determining**
14 **the “maximum Annual Debt Service Amount” as defined in the Bond**
15 **Ordinance?**

16 A. It is my understanding that all of the Company’s long-term debt is subject
17 to the 1.25 Debt Service Coverage requirement since the Company’s
18 revenues or receipts have been pledged as security for the outstanding
19 Bonds now held by Citizens Nation Bank and for all three (3) of the KIA
20 loans.

21 **EFFORTS TO REDUCE HEALTH INSURANCE COSTS**

22 **Q. Has the Company recently reduced its health insurance costs?**

23 A. Yes, it has.

24 **Q. Please describe how the Company has reduced its health insurance**
25 **costs.**

1 A. The Company has reduced its health insurance costs by employing
2 several cost-saving measures. Company employees are now required to
3 pay a portion of their family health insurance coverage. The Company
4 has also switched to a high deductible health insurance plan, which is
5 significantly cheaper than the Company's previous insurance coverage.
6 The Company also offers a Health Savings Account, through which
7 employees can elect to withhold a portion of their pre-tax salary for
8 qualifying medical expenses, and a Health Reimbursement Account,
9 which also allows reimbursements for qualifying medical expenses and
10 offsets higher employee copays. Due to these changes, the Company has
11 significantly decreased its health insurance cost. The Revenue
12 Requirements reflect these lower health insurance and other fringe
13 benefit costs.

14 **RATE CASE EXPENSE**

15 **Q. List the rate case expense the Company has incurred.**

16 A. As of March 21, 2018, the Company has incurred \$53,250.48 in rate case
17 expense. Rate case expense from Kentucky Engineering Group totals
18 \$6,000. The invoices of Kentucky Engineering Group are attached as
19 **Exhibit 20**. Rate case expense from Stoll Keenon Ogden PLLC total

1 \$47,250.48. The invoices of Stoll Keenon Ogden PLLC are attached as

2 **Exhibit 21.**

3 **CONCLUSION AND RECOMMENDATION**

4 **Q. What is your recommendation to the Commission?**

5 A. It is my recommendation that the Commission approve the Company's
6 proposed rate increase. The Company's rates to Marion District remain
7 fair, just, and reasonable.

8 **Q. Does this conclude your testimony?**

9 A. Yes, it does.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF MARION)

The undersigned, **Daren Thompson**, being duly sworn, deposes and says he is the Operations & Management Superintendent for Lebanon Water Works Company, that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein are true and correct to the best of his information, knowledge, and belief.

Daren Thompson

DAREN THOMPSON

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 21 day of March 2018.

Adrienne Spalding (SEAL)

Notary Public

My Commission Expires: November 12, 2019

Notary ID: 545527



APPENDIX A

DAREN THOMPSON

75 Joe Brussell Rd, Gravel Switch, KY 40328
(502) 648-0927

QUALIFICATIONS

Water-Wastewater Management/Construction Management/Operations & Maintenance/& Organizational Leadership

Nearly 18 years of experience in the construction and maintenance industry. I have been instrumental in significantly reducing utility cost and contributing to operational improvements/saving. Strengths include directing a diverse workforce, team building, strategic planning, project management, budgeting, cash management, internal and external reporting, communicating with state and federal regulators. I am familiar with handling union labor issues as well as motivating team members to increase productivity as well as maintaining safe work practices. I'm also very familiar with green infrastructure construction and sustainable technologies to improve water quality for storm water management. I have led the development of many community projects that provide educational opportunities for the community to interact and better understand water quality challenges in our community as well as serve as a mentor to multiple groups of youth in the local community.

EDUCATION, PROFESSIONAL REGISTRATION

Licensed Class IV Drinking Water Distribution Operator, State of Kentucky

Licensed Class II Wastewater Treatment Operator, State of Kentucky

Licensed Class IV Wastewater Collections Operator, State of Kentucky

Water University Utility Management Certification — *National Rural Water Association – 2017-2018. Graduated as a Certified Utility Management Professional*

Utility Management Institute — *Kentucky Rural Water Association – 2016-2017. Graduated as a Utility Management Professional*

M.S., Public Management (MPM) — *Sullivan University – 2016-2017. Graduated Summa Cum Laude & with the President's Cup*

M.S., Business Administration (MBA) w/ focus in Public Management — *Sullivan University – 2015-2016. Graduated Summa Cum Laude & with the President's Cup for Academic Achievement*

B.S., Construction Management — *ITT Technical Institute 2008-2010, National Technical Honors Society*

A.A.S., CAD Design Technology — *ITT Technical Institute 1997-1998, National Technical Honors Society*

PROFESSIONAL EXPERIENCE

Operations & Management Superintendent

2016-Present

Lebanon Water Works Company, Lebanon, KY

I direct staff and assets to treat and distribute drinking water to the 2,600 residential, commercial, and industrial customers of the The Lebanon Water Works Company as well as provide finished water to the Marion County Water District to sell to their customers. I provide oversight of the day-to-day operations and

management of the utility and provide updates and recommendations to the board of directors. Some of my initial efforts at the utility have included items including updating our asset management systems to map all of our pipe networks and maintain the associated data in a mobile environment, treatment plant optimization to improve systemwide water quality, the evaluation and implementation of a highly debated rate increase, creating a Capital Improvement Plan to address ageing infrastructure, and setting a performance metrics to track corporate goals and trend our overall performance.

Flood Protection Manager

2015-2016

Louisville Metropolitan Sewer District, Louisville, KY

I manage staff and assets for a \$566,000,000 flood protection system in Louisville KY. Louisville's flood protection system dates back to the 1950's and has turbine pumps up to 4,700 hp and pumping capacities of up to 450,000 gpm per pump. We also operate and maintain submersible pumps up to 500 hp. My responsibilities include managing all day-to-day flood protection related interaction with the Corps of Engineers' Levee Safety Program Manager and staff and maintaining all regulatory compliance as it relates to the Corps' national, state and local administration of the flood protection system and Federal Emergency Management Agency (FEMA) oversight of the National Flood Protection program. I'm also responsible for the design, construction, and operations and maintenance of large combined sewer storage basin and deep tunnel projects that are mandated by the EPA as a part of our federally mandated consent decree to reduce and eliminated combined sewer overflows by 2024. The projects in this consent decree are projected to cost nearly \$1 billion.

Flood Protection Supervisor

2009-2015

Louisville Metropolitan Sewer District, Louisville, KY

Louisville's flood protection system is home of a couple of the largest inland flood pump stations in the world and is comprised of 29 mile levee/floodwall, and 16 flood pump stations. My responsibilities included overseeing capital improvements to MSD flood protection facilities, coordinating with the CORPS of Engineers and other agencies as well as the day to day operations and maintenance. For my last 18 months in this position, I covered the duties of the previous Flood Protection Manager since the position was vacant and was responsible for items such as department budgets, monitoring and reporting on the Ohio River water levels/flow, monitoring all stages of capital improvements to the flood protection system as well as high level planning for future improvements, and interacting with the COE regularly regarding our compliance to the Levee Safety Program.

Sewer Construction Supervisor

2006-2009

Louisville Metropolitan Sewer District, Louisville, KY

I was a construction/ maintenance supervisor over the sewer collection system at MSD. My responsibilities encompassed the supervision of construction crews for the maintenance and elimination of Combined Sewer Overflows (CSO's), and the maintenance and repair of sewer infrastructure. Some specific responsibilities include the prioritization of projects, scheduling crews, meeting with customers, and coordinating with the engineering staff.

Project Manager

1999-2006

O'Brien & Gere Engineers, Louisville, KY

During my 7 year professional career at O'Brien & Gere, I was involved with many sewer, water and GIS related projects. My experience consisted of being a project manager, field work, construction administration, and GIS and hydraulic modeling experience. I managed people and budgets on various projects. My GIS experience ranged from the ground up GIS development, customized Visual Basic programming, data analysis, data management, and cartography. I have a solid understanding of engineering practices. The following are some examples of my experiences at O'Brien & Gere:

- **The Company Works Company (LWWC), Lebanon, KY**, – Designed and produced plans and specifications for various water line extensions and utility relocations. Conducted a Needs Assessment of the existing LWWC mapping system, to build a comprehensive GIS of their water distribution system. Managed efforts to collect geographic spatial data for equipment that included 300 hydrants, 900 valves, 8 master meters, 1 treatment facility, 3 tanks, and 6 pumping stations. Developed an InfoWater model of the The Company Works Company's water distribution system. I managed all aspects of the project from data collection to the model development and calibration.
- **Buchanan Pump Station Modifications (Starkey PS)**– Performed construction administration, reviewed shop drawings and answered questions that were submitted from contractor for a 140 MGD pump station. The construction cost was approximately \$8.5 million.
- **NSF ETV Verification Testing CSO 108** – Finalized the work plan to verify effectiveness of the CDS unit technology in CSO applications. Primary responsibility during sampling was project manager, Health and Safety Officer, weather tracking and lead sampler. The goal of the project was to verify the effectiveness of the CDS technology as a solids and floatable device in combined sewer applications.
- **Lexington-Fayette Urban County Government, South Elkhorn Watershed Study, Lexington, KY**- Managed field study and investigation to evaluate the amount of inflow and infiltration into the sanitary sewers in the South Elkhorn Watershed. Investigation included installing and maintaining 30 ISCO flow meters in strategic locations to monitor the amount of flow traveling through different sections of the system. Analyzed flow data to determine portions of the system that were stressed during a rain event. Used tipping bucket and static rain gauges to monitor rainfall amounts for flow analysis. Inspected over 250 manholes along the trunk sewer with pipe diameters ranging from 12- to 42-inches using combined space equipment. Manholes were entered and inspected using confined space equipment and were checked for structural defects and for inflow and infiltration. Installed weirs in specific areas to determine if sewer had capacity to handle flows from two pump stations that were going to be eliminated. Prepared input data and analyzed XP-SWMM output results. Used ArcView GIS and GPS to locate and map the manholes and sanitary sewer pipeline in the watershed.
- **Metropolitan St. Louis Sewer District (MSD), Old Mill Creek Sewer Rehabilitation, St. Louis, MO** – Inspected nearly 7,000 lf. of the Old Mill Creek sewer built in the 1880's with confined space equipment. The sewer was 15 foot tall and 20 foot wide and was constructed of brick invert and limestone walls. Obtained information on the sewer structure, including identification of laterals and depth of debris, leaks, bulges, loose or missing brick, and other deformations along the identified length of sewer; and taking video and photographs of the internal structure. Some stretches of the sewer had over 1,500 lf. between access structures.

PROFESSIONAL ORGANIZATIONS / COMMUNITY INVOLVEMENT

Kentuckiana Construction Users Council, Inc. (KCUC)
Board Member and Chair of the Board

2009-Present

A non-profit corporation chartered by the Commonwealth of Kentucky, the Kentuckiana Construction Users Council, Inc. (KCUC) is the local affiliate of the Construction Users Roundtable (CURT), a national organization of companies which purchase the services of contractors for maintenance and new construction. KCUC's membership comes from local construction users (owners) as well as the local contractor, trades, and professional services community. KCUC was formed in the early 1970's by owners in the greater Louisville/Southern Indiana area who were concerned with having available a properly trained, safe and cost effective contractor

workforce needed to work at their local industrial sites. I have participated on the Board of Directors of KCUC since early 2009. I became the Chair of the Workforce Development Committee 2009 and still lead this committee today. In 2013, I was elected to Chair of the Board of Directors and I was elected for a third term in 2015.

ACE Mentor Program, Louisville Ky Affiliate (ACE)

2009-Present

Board Member & Chair of the Board

ACE is an acronym for architecture, construction, and engineering. The program's mission is to enlighten and increase the awareness of high school students to career opportunities in architecture, construction and engineering and related areas of the design and construction industry through mentoring; and to provide scholarship opportunities for students in an inclusive manner reflective of the diverse school population. I have been on the Board of Directors of the ACE Mentor, Louisville Affiliate since 2009 and was elected as Chair of the Board in June of 2015. I have been a mentor to the students in our program since 2009 and have been the mentor leader for the past 4 years at Iroquois HS. My student and mentor team has obtained grant funding of over \$50,000 and donated services which allowed students to take the project they designed through the construction process to understand the entire construction process and leave a legacy at their school.

Kentucky Construction Career Choice Council (K4C)

2009-Present

Board Member, Vice President, & President

K4C is a local organization of the National Construction Career Days. For the past 9 years, the organization has hosted its annual 2 day construction career day event that promotes the construction skilled trade career opportunities to high school students. The event has steadily grown to include over 2200 students and over 60 exhibitors. I have been involved in the organization since 2012 and have been the Chair of the Board since 2012. Under my leadership have been able to increase donations for the event by nearly 50% and student attendance of the event has also risen by nearly 50% since 2012.

SkillsUSA-Louisville Advisory Council

2014-Present

Advisory Council Member

This group consists of local leaders that guide the SkillsUSA National Leadership and Skills Conference in Louisville KY until 2021. The conference and Championships attract approximately 15,000 visitors each year including nearly 6,000 students who compete in 99 skill and leadership contests which occupy the equivalent of 16 football fields of floor space. The economic effect exceeds \$16 million for the local economy in Louisville. March 2014 – Present

WaterStep

2009-Present

Volunteer

Their mission is to save lives with safe water! They fulfill that mission by empowering ordinary people around the world with training and technology in water purification, health and hygiene, and hand pump repair. I volunteer with Waterstep on a regular basis to utilize my technical background to find ways to improving living conditions in other countries through the efforts of clean water.

TRAINING

AutoCAD MAP, OSHA 40 hr Hazardous Waste Site Worker Training, Confined Space Entry Training, CPR First Aid Training, Instructor Led GIS Training-LOJIC Applications, ArcGIS Training, SAP, Hansen, Host, EB

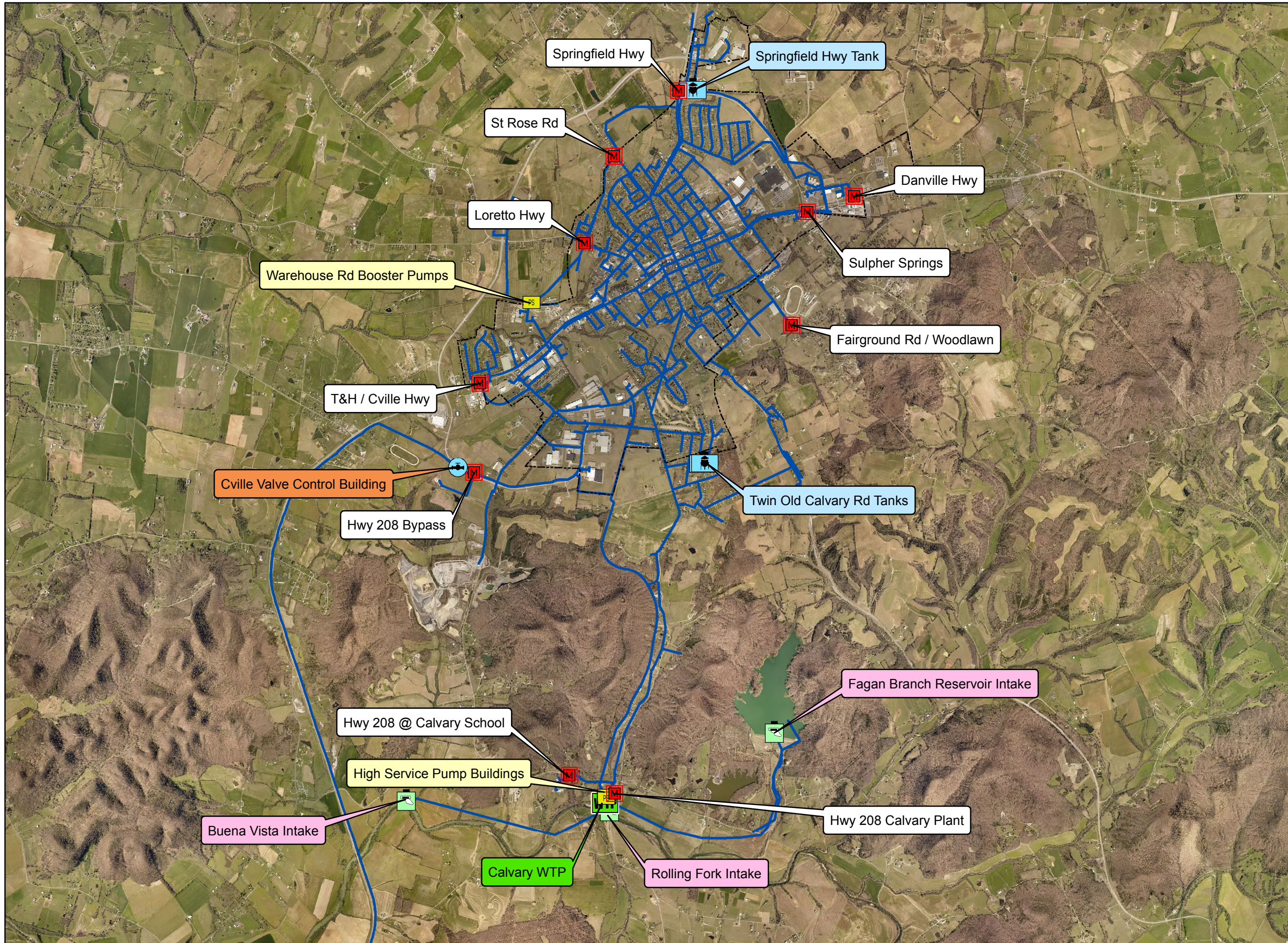
EXHIBITS

EXHIBIT LIST

1. System Map
2. KIA Loan F14-036 Assistance Agreement
3. KIA Residual Funds Letter
4. Campbellsville Contract
5. CERS Employer Contribution Rates for FY 2017-2018
6. CERS Employer Contribution Rates for FY 2018-2019
7. Ordinance No. 91-9
8. Ordinance No. 91-11
9. Ordinance No. 96-15
10. 2002 Bond Ordinance
11. KIA Loan B08-09 Assistance Agreement
12. KIA Loan F15-057 Assistance Agreement
13. Loan 77049 Note
14. Loan 77049 Amortization Schedule
15. Loan 76735 Note
16. Loan 76735 Amortization Schedule
17. KIA Loan B08-09 Amortization Schedule
18. KIA Loan F14-036 Amortization Schedule
19. KIA Loan F15-057 Amortization Schedule
20. Kentucky Engineering Group, PLLC Invoices
21. Stoll Keenon Ogden PLLC Invoices









EXHIBIT 1

Lebanon Water Works Company Water System Overview Map



NOT TO SCALE

Legend

-  Valve Control Building
-  MCWD Master Meters
-  Water Pumps
-  Water Treatment Plants
-  Water Intakes
-  Storage Tanks
-  Lebanon City Limits
-  Water Mains



Copyright (c) 2018, Lebanon Water Works Co., Inc (LWWC)
All Rights Reserved.

No part of this map may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying and recording, or by any information storage or retrieval system, except as expressly permitted in writing by LWWC.

EXHIBIT 2

F-14-036

\$ 3,230,000

Marion/Taylor
Interconnect

ASSISTANCE AGREEMENT

BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY

AND

CITY OF LEBANON, KENTUCKY

TRANSCRIPT OF PROCEEDINGS

PECK, SHAFFER & WILLIAMS, A DIVISION
DINSMORE & SHOHL LLP
COVINGTON, KENTUCKY

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and City of Lebanon, Kentucky (the "Governmental Agency"), dated as of July 1, 2016

1. Opinion of Counsel to the Governmental Agency.
2. General Closing Certificate of the Governmental Agency.
3. Assistance Agreement.
4. Resolution of the Governmental Agency authorizing the Assistance Agreement.
5. Extract of Minutes of the Meeting of the City Council adopting Resolution authorizing Assistance Agreement.
6. Extract of Minutes of the Authority authorizing the Assistance Agreement.
7. Commitment Letter, including Credit Analysis.

DISTRIBUTION LIST

Hon. Gary Crenshaw, Mayor
City of Lebanon, Kentucky
PO Box 840
Lebanon, Kentucky 40033

Ms. Brandi Norton
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Mr. Buddy Griffin
Water Infrastructure Branch
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

Mr. Charles Lush, Jr.
U.S. Bank National Association
Corporate Trust Services
Locator CN-KY-0850
One Financial Square
Louisville, Kentucky 40202

Dirk M. Bedarff, Esq.
Peck, Shaffer & Williams,
a division of Dinsmore & Shohl LLP
50 E Rivercenter Blvd.
Suite 1150
Covington, Kentucky 41011

10443861v1



KANDICE ENGLE-GRAY

Attorney at Law

July 11, 2016

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
City of Lebanon, Kentucky, dated as of July 1, 2016

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 the City of Lebanon, Kentucky, 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 drinking water supply 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.

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 or 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 in the imposition of the Service Charges.

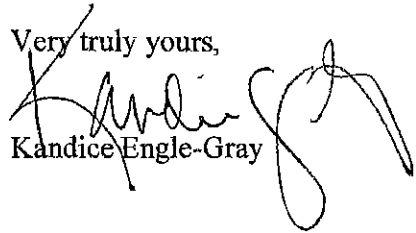
6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the 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) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) 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,


Kandice Engle-Gray

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and City of Lebanon, Kentucky (the "Governmental Agency"), dated as of July 1, 2016

GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY

In connection with the above-captioned Assistance Agreement (the "Assistance Agreement"), the Governmental Agency, through its undersigned duly authorized officer hereby certifies, represents, warrants and covenants as follows:

1. No event of default exists, or with the passage of time will exist, under the Assistance Agreement and the representations and warranties set forth in the Assistance Agreement are true and correct as of the date hereof.

2. The Governmental Agency has examined and is familiar with proceedings of the governing body of the Governmental Agency approving the Assistance Agreement and authorizing its negotiation, execution and delivery and such proceedings were 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 proceedings are in full force and effect and have not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

3. The Governmental Agency is a duly organized and validly existing political subdivision of the Commonwealth of Kentucky with full power to own its properties, conduct its affairs, enter into the Assistance Agreement and consummate the transactions contemplated thereby.

4. The negotiation, execution and delivery of the Assistance Agreement by the Governmental Agency and the consummation of the transactions contemplated thereby by the Governmental Agency have been duly authorized by all requisite action of the governing body of the Governmental Agency.

5. 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.

6. There is no controversy or litigation of any nature pending, or to the knowledge of the Governmental Agency after diligent inquiry, 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 the 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 the Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of the Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of the

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 the Assistance Agreement.

7. The authorization and delivery of the Assistance Agreement and the consummation of the transactions contemplated thereby 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.

8. All actions taken by the Governmental Agency in connection with the Assistance Agreement and the loan described therein and the Project, as defined in the Assistance Agreement, have been in full compliance with the provisions of the Kentucky Open Meetings Law, KRS 61.805 to 61.850.

9. The Governmental Agency has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project and to enter into the 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 Governmental Agency Project, and has full right, power and authority to perform the acts and things as provided for in the Assistance Agreement.

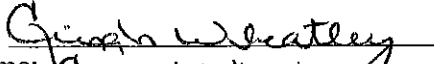
10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Governmental Agency indicated after their respective names and the signatures subscribed above their names are their genuine signatures.

WITNESS our signatures, this 11TH day of July, 2016.

**GOVERNMENTAL AGENCY:
CITY OF LEBANON, KENTUCKY**

By: 
Name: Gary Crenshaw
Title: Mayor

Attest:

By: 
Name: Gina N. Wheatley
Title: Clerk

10443866v1

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F14-036
BORROWER: City of Lebanon, Kentucky
BORROWER'S ADDRESS: PO Box 840
Lebanon, Kentucky 40033
DATE OF ASSISTANCE AGREEMENT: July 1, 2016
CFDA NO.: 66.458

ASSISTANCE AGREEMENT

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1.	Representations and Warranties of Authority	6
SECTION 2.2.	Representations and Warranties of the Governmental Agency	6

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

SECTION 3.1.	Determination of Eligibility.....	9
SECTION 3.2.	Principal Amount of Loan Established; Loan Payments; Disbursement of Funds	9
SECTION 3.3.	Governmental Agency's Right to Prepay Loan	9
SECTION 3.4.	Subordination of Loan	9

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT;
REQUISITION FOR FUNDS

SECTION 4.1.	Covenants of Governmental Agency and Conditions of Loan.....	11
SECTION 4.2.	Additional Conditions to Disbursement Required Under the Federal Agreement.....	13
SECTION 4.3.	Disbursements of Loan; Requisition for Funds	14

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.....	16
SECTION 5.2.	Governmental Agency's Obligation to Repay Loan	16
SECTION 5.3.	Covenant to Adjust Service Charges	16
SECTION 5.4.	Adequacy of Service Charges	16
SECTION 5.5.	Covenant to Establish Maintenance and Replacement Reserve	17
SECTION 5.6.	Covenant to Charge Sufficient Rates; Reports; Inspections	17
SECTION 5.7.	Segregation of Funds	17

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

SECTION 6.1.	Further Assurance.....	18
SECTION 6.2.	Completion of Project.....	18
SECTION 6.3.	Establishment of Completion Date.....	18
SECTION 6.4.	Commitment to Operate	18
SECTION 6.5.	Continue to Operate.....	18
SECTION 6.6.	Tax Covenant.....	18
SECTION 6.7.	Accounts and Reports	18
SECTION 6.8.	Financial Statements.....	19
SECTION 6.9.	General Compliance With All Duties.....	19
SECTION 6.10.	General.....	19
SECTION 6.11.	Further Covenants Under the Federal Agreement.....	19
SECTION 6.12.	Continuing Disclosure Obligation	21

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

SECTION 7.1.	Maintenance of System.....	22
SECTION 7.2.	Additions and Improvements.....	22
SECTION 7.3.	System Not to be Disposed of	22
SECTION 7.4.	Compliance with State and Federal Standards	22
SECTION 7.5.	Access to Records.....	22
SECTION 7.6.	Covenant to Insure - Casualty.....	22
SECTION 7.7.	Authority as Named Insured.....	23
SECTION 7.8.	Covenant to Insure - Liability.....	23
SECTION 7.9.	Covenant Regarding Workers' Compensation.....	23
SECTION 7.10.	Application of Casualty Insurance Proceeds	23
SECTION 7.11.	Eminent Domain.....	23
SECTION 7.12.	Flood Insurance	24

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1.	Events of Default Defined	25
SECTION 8.2.	Remedies on Default.....	25
SECTION 8.3.	Appointment of Receiver.....	26
SECTION 8.4.	No Remedy Exclusive	26
SECTION 8.5.	Consent to Powers of Authority Under Act.....	26
SECTION 8.6.	Waivers	26
SECTION 8.7.	Agreement to Pay Attorneys' Fees and Expenses.....	26

ARTICLE IX

MISCELLANEOUS PROVISIONS

SECTION 9.1.	Approval not to be Unreasonably Withheld	27
SECTION 9.2.	Approval	27
SECTION 9.3.	Effective Date	27
SECTION 9.4.	Binding Effect.....	27
SECTION 9.5.	Severability	27
SECTION 9.6.	Assignability	27
SECTION 9.7.	Execution in Counterparts	27
SECTION 9.8.	Applicable Law.....	27
SECTION 9.9.	Captions	27
SIGNATURES		28
EXHIBIT A - PROJECT SPECIFICS		A-1
EXHIBIT B - REQUISITION FORM.....		B-1
EXHIBIT C - SCHEDULE OF SERVICE CHARGES		C-1
EXHIBIT D - RESOLUTION.....		D-1
EXHIBIT E - LEGAL OPINION		E-1
EXHIBIT F - SCHEDULE OF PAYMENTS		F-1
EXHIBIT G - ADDITIONAL COVENANTS AND AGREEMENTS.....		G-1

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 Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency"):

WITNESSETH

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 Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of November 1, 1998, as amended, supplemented or restated from time to time (the "Federal Agreement") under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; 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 February 1, 2000 (the "Indenture") between the Authority and U.S. Bank, National Association, as lawful successor in interest to National City Bank of Kentucky (the "Trustee"), in order to provide the "match funding" for the Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to finance the acquisition and construction of 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 repay the Loan and the interest thereon from the sources herein provided, all as hereinafter more 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.

"*Architects*" means the firm of consulting architects employed by the Governmental Agency in connection with the Project 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.

"*Cabinet*" means the Energy and Environment Cabinet of the Commonwealth.

"*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.

"*Drinking Water Supply Project*" shall mean the planning, design and construction of drinking water treatment and distribution systems, including expenditures to address Federal Act health goals, or to address situations where compliance standards have been exceeded or to prevent future violations of rules, and may further include drinking water treatment plants, including basins for rapid mix, flocculation, coagulation, filtration, pre-treatment disinfection, and disinfection prior to entry to the distribution system; distribution systems; storage tanks; intake lines and short-term water storage; clearwells; drilled wells and wellhead areas; and any other structure or facility considered necessary by the Cabinet to the efficient and sanitary operation of a public water system and complies with the requirements of the Federal Act.

"*Engineers*" means the firm of consulting engineers employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"*Federal Act*" shall mean the Federal Safe Drinking Water Act, as amended, 42 U.S.C. Section 1401, et seq.

"*Governmental Agency*" shall mean any incorporated city or municipal corporation, or other agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate infrastructure projects, including specifically but not by way of limitation, incorporated cities, counties, including any counties containing a metropolitan sewer district, sanitation districts, water districts, 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 February 1, 2000 between the Authority and the Trustee.

"*Interagency Agreement*" means the Memorandum of Understanding dated as of July 1, 1999 between the Authority and the Cabinet, as the same may be amended or supplemented from time to time.

"*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.1115 and the Indenture as the "federally assisted drinking water 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, a Drinking Water Supply Project, 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 the Construction of the Project progresses.

"*Resolution*" means the resolution of the Governmental Agency attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

"*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 hereto 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 System, which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charges shall be no less than those set forth in the Schedule of Service Charges.

"*System*" shall mean the water 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 the Federal 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) To the knowledge of the Governmental Agency, 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 proceed with 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.

(J) The Governmental Agency is in full compliance with all federal and state labor and procurement laws in connection with the planning, design, acquisition and construction of the Project.

(K) Project is consistent with the water supply plan developed pursuant to 401 KAR 4:220 for the county in which the Governmental Agency is located.

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 Drinking Water Supply 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 semiannually, 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; and shall be subject to the further 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 Prepay 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 and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

(A) That the Authority and the Cabinet and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority or the Cabinet, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to examine and inspect the Project.

(B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project 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 the 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 the lump-sum (fixed 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 Cabinet.

(G) Duly authorized representatives of the Cabinet and such other agencies of the Commonwealth and the United States Government 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, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. 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 Cabinet 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 for the Governmental Agency and approved by state and federal agencies.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the Authority and the U.S. Government, respectively, 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 and the Cabinet, acting by and through their 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 and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a 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.

(S) 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.

(T) 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 Cabinet, 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.

(U) 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 and the Cabinet 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.

(V) The Governmental Agency shall require all laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of title 40, United States Code.

(W) The Governmental Agency shall comply with all federal requirements applicable to the Loan (including those imposed by P.L. 113-76, Consolidated Appropriations Act, 2014 (the "2014 Appropriations Act") and related Program policy guidelines) which the Governmental Agency understands includes, among other requirements, that all of the iron and steel products used in the Project are to be produced in the United States ("American Iron and Steel

Requirement") unless (i) the Governmental Agency has requested and obtained a waiver from the United States Environmental Protection Agency pertaining to the Project or (ii) the Authority has otherwise advised the Participant in writing that the American Iron and Steel Requirement is not applicable to the Project.

(X) The Governmental Agency shall comply with all record keeping and reporting requirements under the Federal Act, including any reports required by a Federal agency or the Authority such as performance indicators of program deliverables, information on costs and project progress. The Governmental Agency understands that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities and (ii) failure to comply with the Federal Act and this Agreement may be a default hereunder that results in a repayment of the Loan in advance of the maturity of the Bonds and/or other remedial actions.

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement. The Governmental Agency, in order to comply with the terms and conditions of the Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with generally accepted governmental accounting standards, as required by the Federal Agreement. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(B) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(C) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(D) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(A).

(E) That no more than fifty percent (50%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the final plan for operation for the Project.

(F) That no more than ninety percent (90%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the draft operations and maintenance manual.

(G) That final disbursement will not be allowed until approval by the Cabinet of a final operations and maintenance manual.

(H) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

(1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience;

(2) The training of operating personnel, including preparation of curricula and training material for operating personnel; and

(3) Advice as to whether the Project is meeting the Project performance standards (including three quarterly reports and one project performance report).

(I) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(J) That one year after operation is initiated, it shall certify to the Cabinet and the Authority that the Project is capable of meeting the Project performance standards.

(K) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(L) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(M) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(N) That all measures required to minimize water pollution to affected waters shall be employed in the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day 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 planning and design 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 planning and design 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 planning and design 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 disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, and subject to certification by the Cabinet, 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, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, 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, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

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, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, 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". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. 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 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, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System 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. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such 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.

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 accordance with the "Uniform System of Accounts" established by the Commonwealth, in which complete and accurate entries shall be

made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within one hundred eighty (180) 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 principles 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. All recipients and subrecipients expending \$500,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with OMB Circular A-133.

Section 6.9. General Compliance With All Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the Project and the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of this Assistance Agreement and any other Debt Obligations.

Section 6.10. 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, the Federal 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.

Section 6.11. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of its under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) 40 CFR 35.3580 (and Appendix A to Subpart L) -- NEPA -- Like State Environmental Review Process
- (d) Environmental Justice, Executive Order 12898
- (e) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (f) Protection of Wetlands, Executive Order 11990
- (g) Farmland Protection Policy Act, Pub. L. 97-98
- (h) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (i) National Historic Preservation Act of 1966, PL 89-665, as amended
- (j) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (k) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432
- (g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

- (a) KRS 151
- (b) KRS 224
- (c) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (d) KRS Chapter 337, Labor Laws
- (e) 401 KAR Chapter 8

Section 6.12. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

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. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, 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 7.4. 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 7.5. 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 7.6. 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 7.7. 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 7.8. 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 injury, 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 7.9. 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 7.10. 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 7.11. 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 7.11, 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.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.

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 specified herein 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 (other than an event of default arising under Section 6.13 of this Assistance Agreement), 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.

(D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.10 hereof shall be those remedies specifically set forth in Section 6.10 hereof

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 non-defaulting 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 non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting 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 in 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, 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. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. 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 9.8. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

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**

Bruce Norton

By: Sandra K. Dunahoo

Title: SECRETARY

Title: BOARD CHAIR

ATTEST:

**GOVERNMENTAL AGENCY:
CITY OF LEBANON, KENTUCKY**

Gina H. Wheatley
Title: Clerk

By: [Signature]
Title: Mayor

APPROVED:

William M. Randal
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:
Pick Shoffe & Williams
a division of Dummer & Shoffe
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

APPROVED AS TO FORM AND LEGALITY

[Signature]
APPROVED

FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
CITY OF LEBANON
PROJECT SPECIFICS
F14-036

GOVERNMENTAL AGENCY:

Name: City of Lebanon
PO Box 840
Lebanon, KY 40033

Contact
Person: Gary Crenshaw
Mayor

SYSTEM: Water

PROJECT:

This project involves the construction of a 50,000 linear foot 12-inch finished water main from the Taylor County line (City of Campbellsville) to the Lebanon By Pass Industrial Park. The proposed route will follow US 68 into Lebanon and connect to an existing 16" main. The City of Campbellsville will supply approximately 500,000 gallons of potable water per day to the City of Lebanon, which will alleviate periodic supply constraints.

PROJECT BUDGET:

	<u>Total</u>
Administrative Expenses	\$ 15,000
Legal Expenses	10,000
Land, Easements	10,000
Planning	31,000
Engineering Fees - Design / Const	200,000
Engineering Fees - Inspection	114,000
Engineering Fees - Other	10,000
Construction	2,590,000
Contingency	<u>250,000</u>
Total	\$ 3,230,000

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 3,230,000	100%
Total	\$ 3,230,000	100%

KIA DEBT SERVICE:

Construction Loan	\$ 3,230,000
Less: Principal Forgiveness (30%)	<u>969,000</u>
Amortized Loan Amount	\$ 2,261,000
Interest Rate	0.75%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 121,952
Administrative Fee (0.25%)	<u>5,653</u>
Total Estimated Annual Debt Service	\$ 127,605

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/01/16).

Full principal and interest payments will commence within one year of initiation of operation (estimated 06/01/18).

REPLACEMENT RESERVE ACCOUNT:	\$ 8,100 ANNUAL AMOUNT
	\$ 81,000 TOTAL AMOUNT

The annual replacement cost is \$8,100. This amount should be added to the replacement account each December 1 until the balance reaches \$81,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>	<u>Maturity</u>
KIA (B08-009)	\$ 516,642	2028
Citizens National Bank (2010)	430,339	2016
Citizens National Bank (2012)	3,883,625	2029
Citizens National Bank (2013)	<u>373,725</u>	2020
Total	\$ 5,204,331	

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)
 Death or Personal Injury (per occurrence)
 Property Damage on System

\$1,000,000
\$1,000,000
\$2,000,000

**EXHIBIT B
REQUEST FOR PAYMENT AND PROJECT STATUS REPORT**

Borrower: _____

WX/SX Number: _____
Draw Number _____

KIA Loan # _____
Date: _____

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.

Documentation supporting the expenses incurred and identified per this request are attached.

Funds Requested: _____

Project Budget and Expenses

Line Item	Cost	Expenses This Request	Expenses to Date	Project Budget	Balance
1	Administrative				
2	Legal				
3	Land, Appraisals, Easements				
4	Relocation Expense				
5	Planning				
6	Engineering Fees – Design				
7	Engineering Fees - Construction				
8	Engineering Fees – Inspection				
9	Construction				
10	Equipment				
11	Contingency				
12	Other				
	TOTAL				

If expenses to date exceed project budget a revised budget must be submitted to and approved by the Authority before funds will be released.

Project Funding

Funding Agency	Expenses This Request	Expenses to Date	Project Budget	Balance
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
	TOTAL			

We certify that the expenses in this draw request were incurred pursuant to local procurement polices which conform to KRS 45A.

Borrower Signature: _____

Project Administrator: _____

Draw # _____

STATUS REPORT:

PROJECT IS: On schedule _____
 Ahead of schedule _____
 Behind schedule _____
 If ahead or behind, please explain _____

PROJECT EXPENSES THIS DRAW REQUEST
(Include Invoices for Expenses Listed Below)

Line Item	Draw #	Vender	Amount
-----------	--------	--------	--------

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/Architect

Firm Name

EXHIBIT C
SCHEDULE OF SERVICE CHARGES

See Attached

City of Lebanon
Lebanon Water Works Company, Inc.
120 S. Proctor Knott Avenue
Lebanon, Kentucky 40033
(270)692-2491
(270)692-6413 (fax)

Rate Schedule for Water Service

Inside City:

Meter Charge: \$ 6.75 per month regardless of water used
O&M Charge: \$ 2.50 per 100 cubic feet of water

Outside City:

Meter Charge: \$ 7.43 per month regardless of water used
O&M Charge: \$ 2.75 per 100 cubic feet of water

The above rates are effective September 17, 2013.

Rate Schedule for Sewer Service

Universal: \$4.1364 per 100 cubic feet of water used
Minimum monthly charge of \$11.06

EXHIBIT D

RESOLUTION

RESOLUTION OF THE CITY OF LEBANON, KENTUCKY APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF JULY 1, 2016 BETWEEN THE CITY OF LEBANON, KENTUCKY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the City Council ("Governing Authority") of the City of Lebanon, 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 acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of July 1, 2016 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lebanon, 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 acquisition and construction of the Project.

SECTION 2. That the Mayor and Clerk of the Governmental Agency be and hereby are 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 _____, 2016.

Mayor

Attest:

Title: Clerk

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Clerk of the City of Lebanon, Kentucky; that the foregoing is a full, true and correct copy of a Resolution adopted by the City Council of said City at a meeting duly held on _____, 2016; 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 61.823; 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 _____, 2016.

Clerk

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
City of Lebanon, Kentucky, dated as of July 1, 2016

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 the City of Lebanon, Kentucky, 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 drinking water supply 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.

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) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) 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
CITY OF LEBANON, KENTUCKY
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority \$ _____

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: _____

**CITY OF LEBANON, KENTUCKY, Governmental
Agency**

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

10443844v1



CITY OF LEBANON

GARY D. CRENSHAW
MAYOR

P.O. BOX 840
LEBANON, KY 40033
TEL. (270) 692-6272
FAX (270) 692-4638

RESOLUTION 2016-08

RESOLUTION OF THE CITY OF LEBANON, KENTUCKY APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF JULY 1, 2016 BETWEEN THE CITY OF LEBANON, KENTUCKY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the City Council ("Governing Authority") of the City of Lebanon, 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 acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of July 1, 2016 (the "Assistance Agreement") with the Authority.

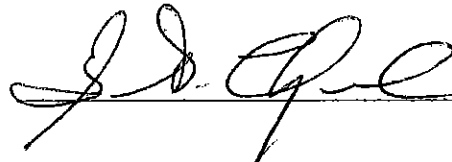
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lebanon, Kentucky, as follows:

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 acquisition and construction of the Project.

SECTION 2. That the Mayor and Clerk of the Governmental Agency be and hereby are authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

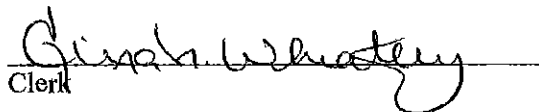
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on July 11, 2016.



Mayor

Attest:

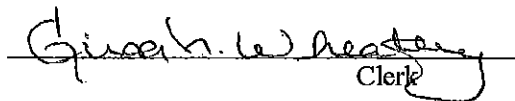


Clerk

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Clerk of the City of Lebanon, Kentucky; that the foregoing is a full, true and correct copy of a Resolution adopted by the City Council of said City at a meeting duly held on July 11, 2016; 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 61.823; 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 11th day of July, 2016.


Clerk

CITY COUNCIL LEBANON KENTUCKY

REGULAR MEETING

JULY 11, 2016

A regularly scheduled meeting of the Lebanon City Council was held on July 11, 2016 at 7:00 p.m. at City Hall. With Mayor Gary D. Crenshaw presiding, Councilmembers Jerry Abell, Jay Grundy, John R. Mattingly, Kate Palagi, Jim Richardson, and Darin Spalding were present.

Mayor Crenshaw called the meeting to order at 7:00 p.m.

Mr. Tom Lund, Executive Director for Marion County Economic Development and Mr. David Daugherty, Marion County Judge Executive presented to the council a "Homegrown Workforce" labor training initiative to help develop Marion County's existing workforce. They requested that the City allocate a portion of the franchise fee to go towards the training cost.

Councilman Grundy made a motion to have City Attorney Engle-Gray review the existing franchise fee allocation to determine if amendment language is required to include the Homegrown Workforce program and Councilman Mattingly seconded. The motion carried unanimously.

Mayor Crenshaw took a moment to recognize Ms. Monica Hill, Mr. Michael Todd, Mr. Benjamin Scott, and Mr. Kanyon Spalding with Boy Scout Troup 90 working towards their Citizenship in the Community Badge.

The minutes of the public hearing and regularly scheduled council meeting held June 13, 2016 stood approved as distributed.

The minutes of the special called meeting held June 20, 2016 stood approved as distributed.

Councilman Spalding made a motion to approve the payment of bills as presented and Councilman Abell seconded. The motion carried unanimously.

Councilman Spalding made a motion to approve Resolution 2016-08 authorizing an assistance agreement between the City of Lebanon and Kentucky Infrastructure Authority and Councilman Abell seconded. The motion carried unanimously.

LEBANON CITY COUNCIL
JULY 11, 2016
PAGE 2

Councilman Spalding made a motion to approve Resolution 2016-09 authorizing the Mayor to make application for Kentucky Office of Homeland Security Law Enforcement Program funds and Councilman Richardson seconded. The motion carried unanimously.

Councilman Spalding made a motion to approve Resolution 2016-10 approving the execution of the Interlocal Cooperation Agreement to establish the Kentucky League of Cities insurance services and Councilman Abell seconded. The motion carried unanimously.

Councilman Spalding made a motion to approve the Mayor's reappointment of Mr. James Spragens (Hotel/Motel Assoc. Rep.) to the Lebanon Tourist & Convention Commission with term to expire June 30, 2019 and Councilwoman Palagi seconded. The motion carried unanimously.

Councilman Abell made a motion to approve the zoning map amendment as recommended by the City of Lebanon Planning & Zoning Commission and Councilman Richardson seconded. The motion carried unanimously.

Councilman Richardson made a motion to approve the first reading of Ordinance No. 2016-05 and Councilman Abell seconded. The motion carried unanimously.

City Clerk Wheatley then read Ordinance No. 2016-05, an ordinance changing the zoning classification of five properties located on North Harrison Street and owned by Clavis Wilson and Blenda Wilson from B-2 (General Business) to R-2 (One to Four Family Residential).

Councilman Spalding made a motion to approve the Mayor's appointment of Mr. Tom Lund and Mr. Michael Butcher to the Marion/Washington County Airport Board with terms to expire June 30, 2019 and Councilman

With no further business to come before the Council, Councilman Mattingly made a motion to adjourn and Councilman Richardson seconded. The motion carried unanimously and the meeting adjourned at 7:50 p.m.

LEBANON CITY COUNCIL
JULY 11, 2016
PAGE 3

CITY OF LEBANON KENTUCKY

Gary D. Crenshaw, Mayor

ATTEST:

Gina N. Wheatley, City Clerk

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **December 4, 2014 – 1:00 p.m.**
 Kentucky Infrastructure Authority
 1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Sam Ruth, Finance and Administration Cabinet
 (proxy for Secretary Lori H. Flanery, FAC)
Ms. Lona Brewer, Energy and Environment Cabinet
 (permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Robert Aldridge, Economic Development Cabinet
 (proxy for Secretary Larry Hayes (EDC)
Mr. Jeff Derouen, Executive Director, Public Service Commission
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities
Ms. Linda C. Bridwell, representing for-profit private water companies

Members absent:

Mr. Damon Talley, representing the Kentucky Rural Water Association .
Mr. Jody Jenkins, Union County Judge Executive, representing the Kentucky Association
 of Counties
Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Guests:

Mr. Shafiq Amawi, Division of Water
Ms. Laura Jefferson, Buffalo Trace Area Development District
Ms. Katherine Halloran, Legislative Research Commission
Ms. Liz Columbia, Office of Financial Management
Mr. John Brady, Office of Financial Management
Mr. Roger Recktenwald, Kentucky Association of Counties
↳ Mr. Ashley Willoughby, Lincoln Trail Area Development District
Mr. Michael Brothers, Bracken County Water District
Ms. Laura Gilkerson, GRW Engineers, Inc.
↳ Mr. Riley Sumner, Kentucky Engineering Group
↳ Mr. Paul Reynolds, Kentucky Engineering Group
Ms. Rebecca Hall, City of Frankfort
Mr. William Ballard, East Clark County Water District
Ms. Jana Dubree, Monroe County Water District
Mr. Rob Gates, Barren River Area Development District
Mr. Bill Scalf, Frankfort Sewer Department

- Mr. Mark Williams, Monroe County Water District
- Mr. Ricky Ross, Monroe County Water District
- Mr. Tommy Willett, Monroe County Judge-Executive
- Mr. Paul Nesbitt, Nesbitt Engineering, Inc.
- Mr. John Martin, GRW Engineers, Inc.
- Mr. Robert Peterson, City of Frankfort
- ↳ Mr. Pete Thompson, Lebanon Water Works Company
- ↳ Mr. John L. Thomas, Lebanon Water Works Company

PROCEEDINGS

Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Mr. Wilder asked board members and guests to introduce themselves. He confirmed that a quorum was present and that the press had been notified regarding the meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of November 6, 2014

Ms. Linda Bridwell moved to approve the minutes of the November 6, 2014, regular board meeting. Mr. Ron Lovan seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. CONSIDERATION OF THE FISCAL YEAR ENDING JUNE 30, 2014, KENTUCKY INFRASTRUCTURE AUTHORITY AUDIT REPORT

Ms. Denise Pitts, KIA, and Mr. Allen Norvell, Blue & Company, LLC, presented a review of the Kentucky Infrastructure Authority Audit for fiscal year ending June 30, 2014. Mr. Norvell highlighted some of the significant points in the financial statements report, and he told the board that the audit resulted in a clean, unmodified opinion. Mr. Norvell referred to a new accounting standard that was required for this fiscal year, and explained a substantial change from fiscal year 2013 in the investment portfolio. He mentioned a change in relation to the pension plan that will impact all state agencies next year and require reporting by the Authority. In the section for Internal Controls he pointed out a corrected reversed posting for accrual of bond interest, and in the Compliance section he highlighted the statement that there were no issues of noncompliance. He also reviewed the audit communications document. Ms. Linda Bridwell asked if it is common practice for auditors to contact clients, and Mr. Norvell explained that there is usually a select sample to whom confirmations are sent.

2. The board moved on to consideration of an action item for the City of Fleming-Neon, Letcher County, Kentucky

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F1 15-018) IN THE AMOUNT OF \$143,616 TO THE CITY OF FLEMING-NEON, LETCHER COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Fleming-Neon requested \$143,616 in Drinking Water State Revolving Funds (Fund F1) for a Planning and Design loan for the Water Treatment Plant Upgrade project. This project will develop plans and specifications for the water treatment plant improvements discussed below. The construction project will receive a priority funding position in the funding cycle that is subsequent to Division of Water approval of the plans. The proposed project will upgrade the water treatment plant by replacing water process equipment, a chemical feed system, the electrical supply system, a backup generator, lagoon, building roof and windows, and the raw water supply at the plant. The project will also work to reduce high iron content in the water by modifying the current well, drilling a new one, or locating an alternative source of water.

Division of Water felt that this is an urgent project needed to study and plan for improvements necessary to address possible risks to the public health. Mr. Jeff Derouen and Ms. Lona Brewer explained that the study and engineering is necessary to direct planning for this project and an Abandoned Mine Lands funded project to connect to the City of Jenkins. Mr. Jerry Weutcher clarified with Mr. Amawi that this preliminary planning and design is needed in order to prepare for connection and/or making the necessary improvements to the plant.

Ms. Linda Bridwell moved to approve the Fund F Loan F1 15-018 in the amount of \$143,616 to the City of Fleming-Neon with the standard conditions and two special conditions. The first special condition is that the City of Fleming-Neon shall increase water rates by an amount sufficient to generate an additional \$30,000 in cash flow per year effective no later than February 1, 2015. The second special condition is that the city shall increase rates by an amount sufficient to generate an additional \$36,000 in cash flow per year effective no later than July 1, 2016. Ms. Lona Brewer seconded, and the motion was unanimously approved.

3. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A15-026) OF \$36,000,000 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Lexington-Fayette Urban County Government requested \$36,000,000 in Clean Water SRF funds for Phase I of the West Hickman

Wastewater Treatment Plant Wet Weather Storage project The project involves the design and construction of a multi-phase wet weather storage facility at the West Hickman Wastewater Treatment Plant on Ashgrove Pike in Jessamine County. The project will reduce the potential for 23 wet weather sanitary sewer overflow (SSO) locations. The existing sewer system lacks the capacity to meet LFUCG's EPA mandated Capacity Assurance Program. The project is a component of the Remedial Measures Plan that was submitted to the U.S. Environmental Protection Agency to comply with the Consent Decree, entered into on January 3, 2011. A portion of the engineering cost is for the storage tank/WWTP influent pumping station cost, which is infrastructure that meets the needs of the current and future project phases. When all phases are complete, total storage volume will be approximately 40 million gallons with a projected cost in the range of \$120 million.

Ms. Linda Bridwell moved to approve the Fund A Loan A15-026 in the amount of \$36,000,000 to Lexington-Fayette Urban County Government with the standard conditions. Mr. Ron Lovan seconded, and the motion was unanimously approved.

4. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-032) IN THE AMOUNT OF \$3,731,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Frankfort requested a Fund "A" loan in the amount of \$3,731,000 for the West Frankfort Pump Station project. This project will replace an existing failing wet well/dry pit with a larger submersible pump station. The pumping capacity will be increased to eliminate sanitary sewer overflows and to accept future sanitary sewage. The project will be designed to allow for additional capacity to accept potential future customers outside of the city limits. The West Frankfort Pump station currently serves 3,700 homes. The new station will serve the remaining homes as well as an additional 4,940 potential future homes. Completion of the project is a substantial step in the City's ongoing efforts to achieve compliance with the Kentucky Division of Enforcement's Consent Judgment and the EPA Administrative Order. It was confirmed that the interest rate for this loan will be 1.75%. It was noted that rate increases have already been passed for the next five years.

Ms. Linda Bridwell moved to approve the Fund A loan A15-032 in the amount of \$3,731,000 to the City of Frankfort with the standard conditions. Mr. Jeff Derouen seconded, and the motion received all "aye" votes.

5. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-046) IN THE AMOUNT OF \$1,420,000 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Harrodsburg requested a Fund "A" loan in the amount of \$1,420,000 for the Wastewater Collection System Rehabilitation project. The project will rehabilitate 2,170 linear feet of sewer lines across the Blue Ridge, Cardwell, Green Acres and Brentwood neighborhoods. Repair efforts will include cleaning existing piping, video inspection, manhole and line repairs and pipe lining if necessary. The project will remove existing debris, points of inflow and infiltration, and improve the hydraulics of the system. It is estimated that the City will be required to adjust rates in the future, with specific minimum rates being prescribed by Rural Development.

Mr. Sam Ruth moved to approve the Fund A loan A15-046 in the amount of \$1,420,000 to the City of Harrodsburg with the standard conditions. Ms. Linda Bridwell seconded, and the motion received all "aye" votes.

5. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B15-002) OF \$358,000 TO THE BRACKEN COUNTY WATER DISTRICT, BRACKEN COUNTY, KENTUCKY**

Ms. Jami Johnson presented the project to the Board. The Bracken County Water District (BCWD) requested a \$358,000 Fund "B" loan for the KY 19 Master Meter to Kelly Ridge Project. This project will replace approximately 8,500 feet of 4" asbestos cement (AC) line that was originally installed in the 1960's with the original construction of the system. New eight inch PVC lines will replace the old AC lines from the master meter on KY 19 to Kelly Ridge. The master meter was replaced in 2006 but continued to use the original master meter valve pit. The original master meter valve pit will be replaced. Also, there are not current flush hydrants in this area. Five flush hydrants will be added to the area with the improvements.

Mr. Ron Lovan moved to approve the Infrastructure Revolving Fund B loan B15-002 in the amount of \$358,000 to the Bracken County Water District with the standard conditions. Ms. Linda Bridwell seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

6. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F14-036) OF \$3,230,000 TO THE CITY OF LEBANON F/B/O LEBANON WATER WORKS CO., MARION COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of Lebanon f/b/o Lebanon Water Works Co. (LWWC) is requesting a \$3,230,000 Fund "F" loan for the Marion Taylor Interconnect Project. The project will construct a 50,000 linear foot (LF) 12-inch water main from the Taylor County line (City of Campbellsville) to the Lebanon By-Pass Industrial Park. The proposed route will follow US 68 into Lebanon and connect to an existing 16" main. The connection with Campbellsville will supplement its

Q{QUIT}

supply with approximately 500,000 gallons per day and potentially more during emergencies. A separate loan request to KIA is being submitted to the KIA Board for approval on December 4, 2014 from the City of Campbellsville for their portion (WX21217023) of the proposed project.

Mr. Jeff Derouen asked if the Lebanon Water Works Co. is an eligible government entity. It was explained that the loan will be to the City of Lebanon for the benefit of LWWC, which is wholly owned by the City of Lebanon. In response to a question from Ms. Linda Bridwell, Mr. John Covington replied that the Authority typically makes loans to the city. Mr. Derouen confirmed that this loan to the City of Lebanon and a proposed loan to the City of Campbellsville are connected projects, with each entity building toward each other.

Ms. Linda Bridwell moved to approve the Fund F Loan F14-036 in the amount of \$3,230,000 to the City of Lebanon f/b/o Lebanon Water Works Co. with the standard conditions and the special condition that the City of Lebanon f/b/o of the Lebanon Water Works Co. shall enter into a wholesale purchase agreement with the City of Campbellsville for a minimum water purchase amount that will support debt service and the additional operating expenses that result from the Campbellsville project, F15-013, (approximately \$500,000 per year.) Ms. Lona Brewer seconded, and the motion was unanimously approved.

7. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F15-013) OF \$6,428,000 TO THE CITY OF CAMPBELLVILLE, TAYLOR COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of Campbellsville requested a \$6,428,000 Fund "F" loan for the Regional Water System Improvements Project. The project will construct a one million gallon storage tank, 40,000 linear feet (LF) of twelve inch transmission line, and a 700 gallon per minute booster pump station that will permit the City to provide water to the Lebanon Water Works Co. (LWWC). LWWC experiences supply constraints during high use / low rainfall periods while the City of Campbellsville has excess production capacity. A separate loan request is being submitted to the KIA Board for approval on December 4, 2014 from the City of Lebanon f/b/o Lebanon Water Works Co. for their portion (WX21155039) of the proposed project. The City's water treatment plant has a design capacity of 9.0 million gallons per day with average daily production of 3.2 million gallons per day. The significant gap in plant utilization is due to multiple business closures during the late 1990's, particularly Fruit of the Loom, which employed 4,200 at one time and closed in 1998. The proposed project will increase production by 16%, or 500,000 gallons per day. In response to an inquiry from Ms. Linda Bridwell, Mr. John Covington explained the existing excess capacity of the Campbellsville facility.

Mr. Sam Ruth moved to approve the Fund F Loan F15-013 in the amount of \$6,428,000 to the City of Campbellsville with the standard conditions and the special condition that the City of Campbellsville shall enter into a

wholesale purchase agreement with the City of Lebanon f/b/o of the Lebanon Water Works Co. for a minimum water purchase amount that will support debt service and the additional operating expenses that result from the Campbellsville project (approximately \$500,000 per year.) Ms. Linda Bridwell seconded, and the motion was unanimously approved.

8. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F15-002) OF \$8,000,000 TO THE MONROE COUNTY WATER DISTRICT, MONROE COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Monroe County Water District ("District") requested an \$8,000,000 Fund "F" loan for the Regional Water Treatment Plant and System Improvements Project. The project will construct a new raw water intake on the Cumberland River, a 600,000 gallon water storage tank, one pump station, transmission lines and a two million gallon per day water treatment plant. Plans and specifications for the water treatment plant are substantially complete and were grant funded as a component of other water system improvements projects. The final plant design will permit a one million gallon per day expansion if demand increases. The District has secured a water withdrawal permit through the Division of Water (DOW) and the Army Corps of Engineers. The project ranked second out of sixty-seven projects by the DOW for the 2015 funding cycle and has consistently ranked high in previous funding cycles. The District has frequently been unable to provide required water demand during peak or drought periods, and has been subject to periodic Notices of Violation from the Division of Water. The District purchases water from the City of Tompkinsville and has unsuccessfully attempted to partner with the city on a regional solution to its issues.

Ms. Linda Bridwell asked if the City of Tompkinsville could be incorporated later if the situation changes. John Covington explained that the Monroe County Water District project was scaled back slightly to reduce costs with no involvement of the City of Tompkinsville, but it was designed so that it can be expanded should a partnership with the city be possible later.

Mr. Ron Lovan moved to approve the Fund F Loan F15-002 in the amount of \$8,000,000 to the Monroe County Water District with the standard conditions and the special condition that the Monroe County Water District will obtain Public Service Commission approval for rates sufficient to fund projected operating expenses and debt service for the District. Ms. Linda Bridwell seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

9. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES**

This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under this resolution:

APPLICANT	FUND	AMOUNT
Lexington-Fayette Urban County Government	A15-026	\$36,000,000
City of Frankfort	A15-032	\$ 3,731,000
City of Harrodsburg	A15-046	\$ 1,420,000
Bracken County Water District	B15-002	\$ 358,000
City of Lebanon fbo Lebanon Water Works Co, Inc.	F14-036	\$ 3,230,000
City of Campbellsville	F15-013	\$6,428,000
Monroe County Water District	F15-002	\$8,000,000
City of Fleming-Neon	F1 15-018	\$ 143,616
Symsonia Water District (<10% Increase)	B12-07	\$ 329,016

Ms. Linda Bridwell moved to approve the resolution. Mr. David Cartmell seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

In his Executive Director's Report, Mr. John Covington reported on issues discussed at the recent conference of the Council of Infrastructure Financing Authorities. He informed the board that twenty-three Fund A loan applications have been accepted, and three have been approved. Nineteen Fund F loan applications have been accepted, and nine have been approved. Ms. Linda Bridwell asked about situations in which a borrower might incur debt from another source that could impair their ability to repay their loan to Kentucky Infrastructure Authority. John Covington informed her that there is a requirement that the Authority is to be notified if a borrower incurs additional debt. In addition, every borrower is required to submit an annual audit for review by the Authority staff.

III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS

- There will not be a board meeting in the month of January.
- Next scheduled KIA board meeting:
 Tentatively set for Thursday, February 5, 2015
 1024 Capital Center Drive, Suite 340
 Frankfort, Kentucky

There being no further business Mr. Robert Aldridge moved to adjourn. Mr. Ron Lovan seconded and the motion carried unanimously. The November 6, 2014, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

Jeffrey A. Abshire

Jeffrey A. Abshire, Secretary
 Kentucky Infrastructure Authority

1-29-15

Date



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

December 4, 2014

The Honorable Gary Crenshaw, Mayor
City of Lebanon
P.O. Box 840
Lebanon, KY 40033

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F14-036)**

Dear Mayor Crenshaw:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On December 4, 2014, the Authority approved your loan for the Marion Taylor Interconnect project, subject to the conditions stated below. The total cost of the project shall not exceed \$3,230,000 of which the Authority loan shall provide all of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the City of Lebanon upon satisfactory performance of the conditions set forth in this letter. A period of twelve months (December 4, 2015) from the date of this letter will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$3,230,000.

2. The loan shall contain principal forgiveness in the amount of 30%. Actual amortized loan and forgiveness amounts will be based on actual project costs drawn from the Authority.
3. The loan shall bear interest at the rate of 0.75 percent per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds may be considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. Please note that the guidance for single audit requirements will change for calendar or fiscal years beginning after December 26, 2014. Please

consult with your independent auditor as soon as possible to understand how the changes will affect you.

11. The Authority requires an annual financial audit to be performed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
4. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
5. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
6. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
7. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.

8. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
9. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
10. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.
11. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
12. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project.
13. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
14. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
15. The project shall comply with American Iron and Steel requirements of The Consolidated Appropriations Act of 2014 (H.R. 3547), which became effective January 17, 2014, unless engineering plans and specifications were approved by the Division of Water prior to the effective date.

Any special conditions stated in Attachment A must be resolved.

Mayor Crenshaw
December 4, 2014
Page 5

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

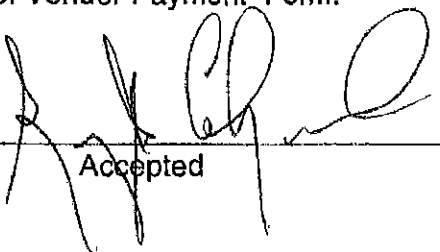


Amanda Yeary
Kentucky Infrastructure Authority

Attachments

cc: Ashley Willoughby, Lincoln Trail Area Development District
John Thomas, Lebanon Water Works
Ray Ihlenhurg, O'Brien & Gere Engineers, Inc
Division of Water
Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP
State Local Debt Office, DLG
Borrower File - City of Lebanon - F14-036

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.



Accepted

12-12-2014
Date

EXHIBIT 3



KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

Donna McNeil
Executive Director

August 18, 2017

The Honorable Gary Crenshaw, Mayor
City of Lebanon
P.O. Box 840
Lebanon, KY 40033

**RE: DWSRF Request to Use Residual
Funds, F14-036**

Dear Mayor Crenshaw:

Thank you for your recent request dated August 18, 2017, to use residual DWSRF funds from loan F14-036 to better serve the citizens of the City of Lebanon. According to your correspondence, remaining loan funds of approximately \$495,000 will be used to continue the waterline extension from the City of Campbellsville to the Old Calvary Road water storage tanks, improving the hydraulics and turnover of finished water in the system. This request is approved. We ask that the final draw request and closeout documents be submitted by March 2018, and that principal and interest payments begin June, 2018.

If you have any questions, please don't hesitate to contact Amanda Yeary at (502) 892-3486 or amanda.yeary@ky.gov.

Respectfully,

A handwritten signature in cursive script that reads "Donna McNeil".

Donna McNeil, Executive Director
Kentucky Infrastructure Authority

EXHIBIT 4

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 29th day of December, 2015, between the City of Campbellsville, Kentucky, a municipality for and on behalf of the Campbellsville Water and Sewer System, whose address is 110 S. Columbia Avenue, Suite A, Campbellsville, Kentucky 42718 (hereinafter referred to as the "Seller") and Lebanon Water Works Company, a Kentucky Corporation, whose address is 120 Proctor Knott Avenue, Lebanon, Kentucky 40033 (hereinafter referred to as the "Purchaser") and the City of Lebanon, Kentucky, a municipality, whose address is 118 S. Proctor Knott Avenue, Lebanon, Kentucky (hereinafter referred to as the "Guarantor").

WITNESSETH:

Whereas, the Purchaser is organized and established as a general business corporation created by special act of the Kentucky General Assembly, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown in the plans of the system now on file in the office of the Purchaser, and

Whereas, by Resolution No. 15-11 enacted on the 7th day of December, 2015, by the Seller, the sale of water to the Purchaser in accordance with the provisions of said Resolution was approved, and the execution of this contract carrying out the said Resolution by the Mayor, and attested by the City Clerk, was duly authorized, and

Whereas, by action of the Board of Directors of the Purchaser, taken on the 14th day of December, 2015, the purchase of water from the Seller in accordance with the terms of this contract was approved, and the execution of this contract by the President, and attested by the Secretary was duly authorized; and

Whereas, by action taken on the 21st day of December, 2015, by the Guarantor, approving the guaranteeing of funds to purchase water by the Purchaser and authorizing the execution of this

contract by the Mayor, and attested by the City Clerk.

Now, therefore, in consideration of the foregoing and mutual agreements hereinafter set forth, the parties do hereby agree as follows:

1. Quantity. The Seller agrees to furnish the Purchaser at the point of delivery hereinafter specified, during the term of this Contract or any renewal or extension thereof, potable treated water in such quantity as may be required by the Purchaser with a daily minimum of 300,000 gallons and not to exceed a daily maximum of 1,000,000 gallons ("Acceptable Quantity Range"). The Purchaser shall provide written notice to the Seller at least thirty (30) days prior to the commencement of any fiscal year of this Contract and identify to the Seller the minimum number of gallons which the Purchaser shall purchase from the Seller on a daily basis (averaged monthly) for that particular year of the Contract and the rate for that minimum quantity shall be utilized for purposes of determining the rate consistent with numerical paragraph 8 of this Contract. The Purchaser shall be obligated to purchase and pay the Seller for at least the daily minimum contained in its notification to the Seller. Provided, however, the Purchaser shall be entitled to modify, on a monthly basis, the daily minimum quantity within the Acceptable Quantity Range during any year of the Contract by providing written notice to the Seller on or before the twenty fifth (25th) day of the month preceding that for which Purchaser elects to modify its daily minimum. Upon Purchaser's election for such modification, it shall be billed at the rate applicable to its modified quantity, and consistent with numerical paragraph 8 of this Contract, unless and until purchaser further modifies its minimum daily requirements by monthly or annual notification to Seller as hereinabove provided.

2. Point of Delivery and Pressure. The Seller shall furnish water pursuant to this Contract at a pressure created by the Seller maintaining a hydraulic grade of elevation 1175 msl (mean sea level) from a newly constructed twelve inch main supply at a point located at the Taylor County-Marion County line in the Kentucky Highway 68 right of way and at a location more precisely depicted on the plans attached hereto as Exhibit A. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser.

3. Emergencies. Emergency failures of pressure or supply due to main supply breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from performance pursuant to this contract for such reasonable period of time as may be necessary to restore service. Similarly, emergency failures in the Purchaser's system which prevent it from receiving the required daily minimum from the Seller shall excuse the Purchaser from

purchasing the required daily minimum from the Seller for a period not to exceed fourteen (14) days; provided, however, that in the event of such an emergency situation, the Purchaser shall, within a period of one (1) year, purchase from the Seller quantities in excess of the required daily minimum sufficient to cause the annual purchases divided by three hundred and sixty five (365) to be at least equal the required daily minimum.

4. Metering Equipment. The Seller shall furnish, install, operate and maintain at its own expense at point of delivery or some other appropriate location, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the two (2) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on the 25th of the month. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

5. Water Quality. The Seller shall furnish water pursuant to this Contract meeting applicable purity standards of the Commonwealth of Kentucky and the United States of America as defined in KAR 401.5 and 40 CFR (water quality standards guaranteed to point of master meter delivery). The Purchaser shall be entitled to install equipment on the property of the Seller near the point of delivery which will permit the Purchaser to monitor the quality of the water. In the event that issues arise relating to the quality of the water provided by the Seller to the Purchaser pursuant to this Contract, the parties agree to work together in good faith to equitably resolve the quality issues.

6. Monitoring and Equipment. The Seller shall share with the Purchaser telemetry information as Seller monitors water flow and chlorine residual. The Seller and Purchaser currently use the same telemetry provider and each party agrees to reasonably cooperate to share information at all times during the initial or any renewal term of this Contract. The Purchaser shall have the right to install monitoring equipment at the tank site and the Seller shall make reasonable accommodations for Purchaser if it desires to install such equipment. The parties shall cooperate to insure that all equipment of each party is protected, preserved and kept in a safe condition.

7. Billing Procedure. The Seller shall furnish the Purchaser at the above address on or about the first day of each month, an itemized statement of the amount of water furnished to the Purchaser during the preceding month.

8. Rates and Payment Date. The Seller has calculated its costs associated with providing water to the Purchaser pursuant to this Contract in the Feasibility Evaluation which is dated "Revised February 2015" and attached hereto as Exhibit B. The parties recognize that the actual cost of producing the water pursuant to this Contract will change over time and the parties agree to set the rates for the water being purchased pursuant to this Contract utilizing the methodology contained in the Feasibility Evaluation. On or before April 30 of each year, the Seller shall create a rate table similar to the rate table below using data from the audit performed for Seller for the preceding calendar year and that rate table shall constitute the rates to be utilized for that particular year for this Contract. The Purchaser shall, on or before May 31 of each year, provide written notice to the Seller of the required daily minimum gallons which it desires to purchase for the upcoming fiscal year as that daily minimum may be modified as often as monthly pursuant to numerical paragraph 1 of this Contract. For purposes of this Contract, the fiscal year shall begin on July 1 and end on June 30. The Seller shall provide the Purchaser with a copy of the annual audit so that the Purchaser is able to verify the rates set forth in the rate table. If written notice is not provided by the Purchaser to the Seller as contemplated herein, the rates from the prior year shall remain in effect for the upcoming calendar year.

The Purchaser agrees to pay the Seller, not later than the tenth (10th) day of each month, for water delivered in accordance with the following schedule of rates:

Minimum Usage Per Day (Gallons)	Water Treatment	Debt Service	Pumping Costs	Service Fee	Wholesale Rate Per 1,000 Gallons
300,000.00	\$1.18	\$2.08	\$0.34	\$0.36	\$3.96
400,000.00	\$1.18	\$1.56	\$0.31	\$0.31	\$3.36
500,000.00	\$1.18	\$1.25	\$0.29	\$0.27	\$2.99
600,000.00	\$1.18	\$1.04	\$0.28	\$0.25	\$2.75
700,000.00	\$1.18	\$0.89	\$0.27	\$0.23	\$2.57
800,000.00	\$1.18	\$0.78	\$0.26	\$0.22	\$2.44

900,000.00	\$1.18	\$0.69	\$0.26	\$0.21	\$2.34
1,000,000.00	\$1.18	\$0.62	\$0.25	\$0.21	\$2.26

In the event that the Seller intends to make repairs and/or improvements to its infrastructure which may cause a substantial increase in rates, the Seller shall provide as much notice as possible to the Buyer so that the Buyer can evaluate whether this may necessitate a rate increase to its customers and take appropriate action to implement such a rate increase.

9. Construction of Infrastructure. The Seller and the Purchaser shall each be independently responsible for the cost of construction of the infrastructure necessary to allow each to comply with the terms of this Contract. The Seller and the Purchaser agree to jointly apply for funding with the Kentucky Infrastructure Authority and/or the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture. The Seller and Purchaser agree to diligently complete the construction of the necessary infrastructure so as to allow each of them to be ready to go forward with the purchase and sale of water pursuant to this contract on or about the same date. The parties shall communicate with each other regarding the anticipated time frame in which the construction of the infrastructure is to be completed on an ongoing basis.

10. Term. This Contract shall be for a term of twenty (20) years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser. This Contract shall automatically renew for one (1) year terms unless either party provides notice to the other at least sixty (60) days prior to the end of the initial or any renewal term.

11. Failure to Deliver. The Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the seller is otherwise diminished over an extended period of time, the supply of water to Purchaser shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

12. Regulatory Agencies. This Contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in

obtaining such permits, certificates, or the like, as may be required to comply therewith.

13. Contingency. The construction of the water supply distribution system and other infrastructure necessary for the Seller and Purchaser is being financed through a loan and/or grant by multiple entities, including, but not limited to, the Kentucky Infrastructure Authority, the United States of America, acting through the Farmers Home Administration of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the parties are conditioned upon the approval, in writing, of the State Director of the Farmers Home Administration and the authorized agent of the Kentucky Infrastructure Authority.

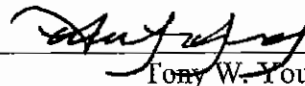
14. Successor to the Purchaser. In the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

15. Guarantee of Obligations. The Guarantor does hereby guarantee the Purchaser's obligations under this contract and the Guarantor joins in this contract for this purpose. Furthermore, the Guarantor shall take all steps necessary to meet the Purchaser's obligations under this contract, including raising water rates or taking any other revenue generating measure within its power.

In Witness Whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in multiple counterparts, each of which shall constitute an original.

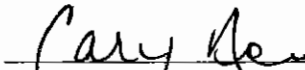
Seller:

**City of Campbellsville, Kentucky d/b/a
Campbellsville Water and Sewer System**



Tony W. Young, Mayor

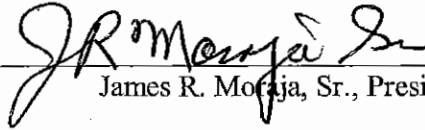
Attest:



Cary Noe, City Clerk

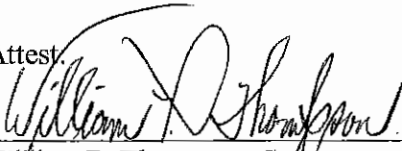
Purchaser:

Lebanon Water Works Company



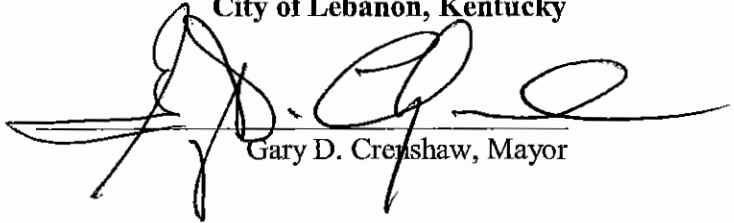
James R. Moraja, Sr., President

Attest:


William P. Thompson, Secretary

Guarantor:

City of Lebanon, Kentucky



Gary D. Crenshaw, Mayor

Attest:

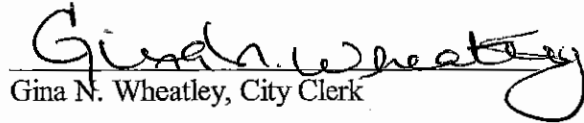

Gina N. Wheatley, City Clerk

EXHIBIT 5



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Interim Executive Director

Perimeter Park West • 1260 Louisville Road • Frankfort, Kentucky 40601

kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

TO: Agencies Participating in the County Employees Retirement System (CERS)

FROM: David L. Eager
Interim Executive Director

DATE: April 13, 2017

SUBJECT: Employer Contribution Rates for Fiscal Year 2017-2018

The Kentucky Retirement Systems Board of Directors sets the final CERS employer contribution rates pursuant to KRS 61.565 and 61.702. The most recent actuarial valuations were performed by the Kentucky Retirement Systems actuary (Cavanaugh Macdonald) for the fiscal year ended June 30, 2016. The CERS employer contribution rates as noted below were approved by the Kentucky Retirement Systems Board of Directors and will be in effect on July 1, 2017.

Fiscal Year 2017-2018:	CERS Nonhazardous	19.18%
	CERS Hazardous	31.55%

Please distribute copies of this memorandum to the individuals responsible for your budget.

EXHIBIT 6



KENTUCKY RETIREMENT SYSTEMS

David L. Eager, Interim Executive Director

Perimeter Park West • 1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

TO: Agencies Participating in the County Employees Retirement System (CERS)

FROM: David L. Eager
Interim Executive Director

DATE: December 11, 2017

SUBJECT: Employer Contribution Rates for Fiscal Year 2018-19

The Kentucky Retirement Systems Board of Trustees establishes the CERS employer contribution rates pursuant to KRS 61.565 and 61.702. The most recent actuarial valuations were performed by the Kentucky Retirement Systems' actuary, GRS Retirement Consulting, for the fiscal year ended June 30, 2017. The CERS employer contribution rates were approved by the Kentucky Retirement Systems Board of Trustees and will be in effect on July 1, 2018. The combined rate (pension and insurance), is listed below.

Fiscal Year 2018-2019:	CERS Nonhazardous	28.05%
	CERS Hazardous	47.86%

Please distribute copies of this memorandum to the individuals responsible for your budget.

EXHIBIT 7

SUMMARY OF ORDINANCE NO. 91-9

CITY OF LEBANON, KENTUCKY

An ordinance of the City of Lebanon, Kentucky entitled:

ORDINANCE OF THE CITY OF LEBANON,
KENTUCKY PROVIDING FOR THE
ESTABLISHMENT OF RULES, REGULATIONS AND
CONDITIONS FOR THE ISSUANCE FROM TIME
TO TIME BY SAID CITY OF WATERWORKS
REVENUE BONDS AND PROVIDING FOR THE
COLLECTION, SEGREGATION AND
DISTRIBUTION OF THE REVENUE OF THE
WATERWORKS SYSTEM.

This is a general water revenue bond ordinance setting forth general rules, regulations and conditions for the issuance of water revenue bonds by the City of Lebanon, Kentucky. Provisions are made for the authorization and issuance of water revenue bonds in series upon adoption of a series bond ordinance; for the application of the proceeds of each series; for the establishment of a General Revenue Fund, a Debt Service Fund, a Debt Service Reserve, an Operation and Maintenance Fund, a Depreciation Fund and a Surplus Fund; for certain covenants of the City with respect to its water revenue bonds; and for defaults and remedies with respect to such bonds. Such bonds when issued will not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, but are payable solely from the revenues of the Lebanon Waterworks Company. Reference is hereby made to the full text of the ordinance for a complete statement of its provisions and terms.

The City Clerk of the City of Lebanon, Kentucky hereby certifies that the above summary is true and correct and written in a way calculated to inform the public of its content.

Joyce A. Ford, CITY CLERK

The undersigned, an attorney licensed to practice law in the Commonwealth of Kentucky, hereby certifies that he prepared the summary of the ordinance referred to above and that the summary represents an accurate depiction of the contents of an ordinance adopted by the City of Lebanon, Kentucky on August 28, 1991.

DAVID B. MALONE, ESQ.

ORDINANCE No. 91-9

ORDINANCE OF THE CITY OF LEBANON, KENTUCKY PROVIDING FOR THE ESTABLISHMENT OF RULES, REGULATIONS AND CONDITIONS FOR THE ISSUANCE FROM TIME TO TIME BY SAID CITY OF WATERWORKS REVENUE BONDS AND PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF THE WATERWORKS SYSTEM

WHEREAS, the Lebanon Waterworks Company, Inc. (the "Company") has been heretofore duly created and established pursuant to law as a Water Company and has the authority to plan, design, finance, construct, install, operate, replace and maintain waterworks and water distribution system facilities within the corporate limits of the City of Lebanon, Kentucky (the "City") and the Company owns and operates substantial waterworks and water distribution system facilities (the "System"), which are used throughout the service area of the City for the provision of potable water for human consumption and for fire protection; and

WHEREAS, the Company, acting by and through its Board of Directors, has heretofore constructed, installed and placed into service major extensions, additions and improvements to the System; and

WHEREAS, the City owns one hundred percent (100%) of the stock of the Company; and

WHEREAS, ordinances authorizing the issuance of waterworks revenue bonds of the City have been adopted on March 9, 1964 and September 1, 1965 pursuant to which \$500,000 City of Lebanon Waterworks Revenue Bonds dated April 1, 1964 (the "1964 Bonds") and \$150,000 City of Lebanon Waterworks Revenue Bonds dated April 1, 1965 (the "1965 Bonds") were issued, respectively (collectively the "Outstanding Bonds"), there being no other bonds outstanding; and

WHEREAS, the Board of Directors of the Company and the City have determined the necessity of refunding the Outstanding Bonds in order to eliminate certain inefficiencies in the operation of the Company and to reduce the City's outstanding indebtedness prior to the issuance of additional bonds for improvements to the System; and

WHEREAS, bonds issued under this 1991 General Waterworks Bond Ordinance can be used to refund Outstanding Bonds and to finance additions and improvements to the System which are secured by a lien on the Revenues, hereinafter defined, which 1991 General Waterworks Bond Ordinance further makes provision for the continued operation, maintenance, and expansion of the System in the future from time to time, by the issuance of parity bonds of the City pursuant to terms and conditions contained in the 1991 General Waterworks Bond Ordinance; and

WHEREAS, in conjunction with the refunding of the Outstanding Bonds, it is now necessary that the City adopt this 1991 General Waterworks Bond Ordinance in order to secure the rights of those who may become holders of the Waterworks Revenue Bonds of the City issued hereunder and to make provision for: (a) the issuance of the City's Waterworks Revenue Bonds, (b) providing for the security in respect of such Bonds, (c) protecting and enforcing the rights and remedies of the Bondholders, (d) the custody, safeguarding and application of all System income and revenues, (e) the duties and responsibilities of Fiduciaries, as hereinafter defined, and (f) inter alia, all other necessary and desirable provisions with respect to said Waterworks Revenue Bonds, including covenants of the City; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the Company and the City to happen, to exist, and to be performed precedent to and in the execution and delivery of this 1991 General Waterworks Bond Ordinance have happened, have existed and have been performed as so required in order to make this 1991 General Waterworks Bond Ordinance a valid and binding legal basis for the security of the Waterworks Revenue Bonds hereinafter authorized and described, in accordance with its terms;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF LEBANON, KENTUCKY AS FOLLOWS, that in consideration of the premises and of the purchase and acceptance of the Waterworks Revenue Bonds by the holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Waterworks Revenue Bonds of the City are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become holders thereof, and in order to secure the payment of all the City's Waterworks Revenue Bonds at any time issued and outstanding hereunder and the interest thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein

contained, the City has executed and delivered this 1991 General Waterworks Bond Ordinance, and the City does hereby agree and covenant for the equal and proportionate benefit and security of all and singular the present and future holders of the City's Waterworks Revenue Bonds issued under this 1991 General Waterworks Bond Ordinance, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond by reason or priority in the issue, sale or negotiation thereof or otherwise, as follows:

ARTICLE I

SHORT TITLE, DEFINITIONS, CONSTRUCTION

101. Short Title. This 1991 General Waterworks Bond Ordinance may hereafter be cited by the City, the holders of the Bonds and any Fiduciaries, and is hereinafter sometimes referred to as the "1991 General Waterworks Bond Ordinance" or the "General Waterworks Bond Ordinance."

102. Definitions. Unless the context clearly indicates some other meaning, the following words and terms shall, for all purposes of the 1991 General Waterworks Bond Ordinance, have the following meanings:

"Account or Accounts" - shall mean one or more of the separate accounts for each Series of Bonds which are created and established pursuant to the 1991 General Waterworks Bond Ordinance.

"Act" - shall mean Sections 96.320 to 96.510, inclusive, and Chapter 58 of the Kentucky Revised Statutes.

"Aggregate Debt Service Reserve Requirement" - shall mean the lesser of (i) the maximum Annual Debt Service Requirement in any succeeding Bond Fiscal Year (ii) 10% of the proceeds of any series of Bonds or (iii) 125% of the average Annual Debt Service Requirement.

"Annual Budget" - shall mean the annual budget, as amended or supplemented, for a particular fiscal year adopted by the Company under the 1991 General Waterworks Bond Ordinance as provided in Section 711 hereof.

"Annual Debt Service Requirement" - shall mean, at any given time of determination, the maximum amount of Principal Installments and interest coming due on all Bonds Outstanding in any Bond Fiscal Year; provided, however, if the terms of any Bonds are such that interest thereon for any future period of

time is to be calculated at a variable rate, then interest on such Bonds for such period shall be computed by assuming that the rate of interest applicable to such period is equal to the rate of interest (calculated in the manner in which the rate of interest for such period is to be calculated) which would have been in effect for the 12 months immediately preceding the date of calculation; provided further that if more than 25% of the Principal Installments of any series of Bonds come due in any year, the Annual Debt Service Requirement for such Bonds will be calculated as if such series of Bonds were amortized on the basis of approximate level debt service over the term of such Bonds.

"Authorized Officer" - shall mean, with respect to the Company, the President, Secretary-Treasurer and Superintendent of the Company, and any other of its officers, agents or employees duly authorized to perform the act or sign the document in question and with respect to the City, the Mayor and Clerk and any other of its officers, agents or employees duly authorized to perform the act or sign the document in question.

"Board" - shall mean and refer to the Board of Directors of the Company, which is vested and empowered with the management, control and operation of the activities and affairs of the Company.

"Bond or Bonds" - shall mean any Waterworks Revenue Bond or Bonds, or the issue of Bonds, as the case may be, authenticated and delivered under the 1991 General Waterworks Bond Ordinance and authorized and issued pursuant to a Series Ordinance.

"Bond Proceeds Fund" - shall mean the Fund so designated which is established and created by Section 502 hereof.

"Bond Fiscal Year" - shall mean each annual period which begins on June 1 in any year and ends on May 31 in the following fiscal year.

"Bondholder," or "Holder," or "Holder of Bonds" or any similar term (when used with reference to Bonds) - shall mean the registered owner of any Outstanding Bond or Bonds.

"Certificate" - shall mean a document signed by an Authorized Officer attesting to or acknowledging the circumstances or other matters therein stated.

"City" - shall mean the City of Lebanon, Kentucky.

"Company" - shall mean the Lebanon Waterworks Company, Inc.

"Construction" - shall mean and shall include, inter alia, (a) preliminary planning to determine the economic and engineering feasibility of Waterworks constituting a part of the City's Water System, now or in the future, the engineering, architectural, legal, fiscal and marketing costs in respect thereto, economic investigations and studies necessary thereto, and surveys, designs, plans, working drawings, specifications, procedures and other actions necessary to the construction of Waterworks; (b) the erection, building, acquisition, alteration, remodeling, improvement or extension of Waterworks; and (c) the inspection and supervision of the construction of Waterworks, and all costs incidental to the acquisition and financing of same; and such term shall also relate to and mean any other physical devices or appurtenances in connection with, or reasonably attendant to, Waterworks.

"Construction and Acquisition Account" - shall mean, for each Series of Bonds which has one, the account created by Section 502 hereof.

"Consulting Engineer of National Recognition" - shall mean and refers to an Engineer or a firm of Engineers, who, by virtue of experience, reputation and ability, bear a reputation in the field of sanitary engineering which is nationally recognized and known, and upon whose professional judgment sophisticated investors rely in connection with securities which are issued for water purposes.

"Costs of Issuance" - shall mean only the costs of issuing a Series of Bonds as designated by the City; including, but not being limited to, the fees and charges of the financial advisors or underwriters, bond counsel, trustee, rating agencies, bond and official statement printers, credit enhancement charges, and such other fees and expenses normally attendant to an issue of bonds.

"Costs of Issuance Account" - shall mean, for each Series, the respective Account so designated which is established and created pursuant to Section 502 hereof.

"Counsel's Opinion" - shall mean an opinion, including supplemental opinions thereto, signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds and municipal finance as may be selected by the Company.

"Debt Service Fund" - shall mean the Fund so designated which is established and created by Section 502 hereof.

"Debt Service Reserve" - shall mean the reserve for payment of principal of, interest on, and redemption requirements in respect of the Bonds, created by Section 502 hereof.

"Depreciation Fund" - shall mean the Fund created by Section 502 hereof.

"Depreciation Reserve Requirement" - shall mean the reserve to be maintained in the Depreciation Fund in amounts as may be specified from time to time in a Series Resolution.

"Engineer" or "Engineers" - shall mean any firm or firms of consulting engineers who have been or who will be in the future retained by the City for the purpose of preparing plans and specifications for present or future portions of the System.

"Fiduciary" or "Fiduciaries" - shall mean any Paying Agent, any Registrar, and the depositories of all System's funds, or any or all of them, as may be appropriate.

"Interest Payment Date" - shall mean, for each Series, the date upon which interest on the Bonds of such Series shall be payable pursuant to Section 302 hereof.

"Investment Obligations" - shall mean and include any of the following:

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

(b) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(c) Any savings and loan association insured by an agency of the government of the United States upon to the amount so insured;

(d) Interest-bearing deposits in national or state banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount so insured, and in larger amounts, providing such bank shall pledge as security, obligations as permitted by KRS 41.240(4), having a current quoted market value at least equal to any uninsured deposits. No municipality, county, school district, other unit of local government, political subdivision or county official shall make any investment which would jeopardize the tax-exempt status of any outstanding obligation of such unit of local government; and

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

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

(2) The management company of the investment company shall have been in operation for at least five (5) years; and

(3) At least ninety percent (90%) of the securities in the mutual fund shall be eligible investments pursuant to this section.

"Issue Date" - shall mean, with respect to Bonds of a particular Series, the date of the Bonds of such Series specified and determined by the Series Ordinance authorizing such Bonds.

"KRS" - shall mean and refer to the Kentucky Revised Statutes.

"1991 General Waterworks Bond Ordinance" - shall mean this 1991 General Waterworks Bond Ordinance of the City.

"Notes" - shall mean any obligations issued or to be issued by the City pursuant to the Act to provide funds for the System in anticipation of the issuance of Bonds.

"Operation and Maintenance Costs" - shall mean, as of any particular date, the operating and maintenance expenses of the System and all other expenses of carrying out and administering the System, and in that regard operating and maintaining the System, and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities,

mailing, labor, materials, office rent, maintenance, upkeep, furnishings, equipment, repair of facilities, insurance premiums, legal, accounting, management, consulting and banking services and expenses, including Costs of Issuance, if any, other than Costs of Issuance paid from proceeds of Bonds.

"Operation and Maintenance Fund" - shall mean the Fund so designated which is established and created by Section 502 hereof.

"Outstanding" - when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or then being authenticated and delivered under the 1991 General Waterworks Bond Ordinance, except:

(a) Any Bonds cancelled pursuant to the 1991 General Waterworks Bond Ordinance at or prior to such date;

(b) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust under the Ordinance (whether at or prior to maturity or Redemption Date) (i) cash, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or Redemption Date, or (ii) Investment Obligations as defined in clause (a) of the definition of Investment Obligations in such principal amounts, having such maturities and bearing such interest, which, together with cash, if any, shall be sufficient to pay when due, the principal amount or Redemption Price, as the case may be, with interest to the date of maturity or Redemption Date; provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in the 1991 General Waterworks Bond Ordinance provided or satisfactory provisions for the giving of such notice shall have been made;

(c) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the 1991 General Waterworks Bond Ordinance; and

(d) Bonds deemed to have been paid as provided in Section 1201.

"Paying Agent" - shall mean any bank or trust company designated, and its successor or successors hereafter appointed, as paying agent for the Bonds of any Series in the manner provided in the General Waterworks Bond Ordinance.

"Person" - shall mean any individual, firm, partnership, association, joint venture, corporation or governmental agency, either State or Federal.

"Pledged Receipts"

(a) shall mean the totality of the Revenues;

(b) shall not mean any State appropriations or Federal Grants specified for use by the City of Company for capital construction purposes in connection with the System; and

(c) shall also include all interest earned and gains realized on Investment Obligations unless the 1991 General Waterworks Bond Ordinance specifically requires such interest earned or gains realized to remain in a particular Fund or Account provided that any interest or gains on funds held in escrow by a trustee for the payment of previously outstanding bonds shall not be included.

"Principal Installment" - for any Bond Fiscal Year shall mean, as of any date of calculation and with respect to any Series so long as any Bonds thereof are Outstanding:

(a) the principal amount of the Outstanding Bonds of said Series which mature in such Bond Fiscal Year, reduced by the aggregate principal amount of such Bonds which would before such Bond Fiscal Year be retired by reason of the payment when due and application in accordance with the General Waterworks Bond Ordinance of Sinking Fund Installments payable before such Bond Fiscal Year for the retirement of such Bonds; plus

(b) the unsatisfied balance of the Sinking Fund Installment, if any, due during such Bond Fiscal Year for the Bonds of such Series.

"Principal Installment Date" - shall mean, for such Series, the date upon which each Principal Installment on the Bonds of such Series shall be payable pursuant to Section 303 hereof.

"Redemption Date" - shall mean any date on which Bonds are to be redeemed.

"Redemption Price" - shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the 1991 General Waterworks Bond Ordinance and the Series Ordinance pursuant to which the same was issued.

"Refunding Bonds" - shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 207 and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the 1991 General Waterworks Bond Ordinance.

"Registrar" - shall mean any bank or trust company and its successor or successors, acting as registrar for the Bonds of any Series pursuant to the Series Ordinance for said Bonds.

"Registrar and Paying Agent Agreement" - shall mean any registrar and paying agent agreement between the City and Company and a bank or trust company that may be authorized by any Series Ordinance.

"Revenue Fund" - shall mean the General Revenue Fund created by Section 502 hereof.

"Revenues" - shall mean the totality of all water service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the City for any services rendered by the works and facilities of the City which it relates to the System, together with other income received by the City, if any, from any agency of government, both federal and state, as representing income or operating subsidies, as distinguished from capital grants, to the extent not otherwise required to be treated and applied.

"Serial Bonds and Term Bonds" - shall mean such portion of the Bonds designated as Serial Bonds and Term Bonds in a Series Ordinance.

"Series Bonds" - shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the 1991 General Waterworks Bond Ordinance, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Series Ordinance" - shall mean an ordinance of the City authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof, adopted by the City in accordance with Section 204 hereof.

"Sinking Fund Installment" - for any Bond Fiscal Year, shall mean as or any date of calculation, and with respect to the Outstanding Bonds of any Series, the amount of money required by a Series Ordinance to be paid as regular installments of principal for such Bonds by redemption, but does not include any amount payable by the Company by reason only of the maturity of a Bond, and said future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment, and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

"Supplemental Ordinance" - shall mean any ordinance supplemental to or amendatory of the 1991 General Waterworks Bond Ordinance adopted by the City in accordance with Article VIII and Article IX hereof.

"Surplus Fund" - shall mean the Fund so designated which is established by Section 502 hereof.

"System" - shall mean (a) the existing waterworks and water distribution facilities of the Company, and (b) all future extensions, additions and extensions thereto.

"Waterworks" - shall mean all or any part of any facilities, devices and systems used and useful in the acquisition, storage, treatment, neutralization, pumping, distribution and sale of potable, treated water, storage, distribution and sale of water, including without limiting the generality of the foregoing, sources of water, water mains of all types, pumping stations and other equipment and their appurtenances; extensions, improvements, remodeling, additions and alterations thereof, and any water treatment works, including site acquisition of the land that will be an integral part of the water treatment or distribution process.

103. Construction of 1991 General Waterworks Bond Ordinance. In the Ordinance, unless the context otherwise requires:

Articles and Sections referred to by number shall mean the corresponding Articles and Sections of the Ordinance.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Works importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, joint ventures, corporations, or other legal entities including public bodies, as well as natural persons.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Ordinance, refer to this Ordinance or Sections or subsections of this Ordinance and the term "hereafter" means after the date of adoption of the Ordinance.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

201. Authorization for 1991 General Waterworks Bond Ordinance. This General Waterworks Bond Ordinance is adopted pursuant to the Act.

202. 1991 General Waterworks Bond Ordinance to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall purchase and hold the same from time to time, the provisions of the 1991 General Waterworks Bond Ordinance shall be a part of the contract of the City with the Holders of the Bonds and shall be deemed to be and constitute a contract between the Company and the Holders from time to time of the Bonds and such provisions are covenants and agreements with such Holders which the Company hereby determines to be necessary and desirable for the security and payment thereof. The provisions, covenants and agreements herein set forth to be performed on behalf of the Company shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in the 1991 General Waterworks Bond Ordinance.

203. Authorization of Bonds. In order to provide sufficient funds for the operation of the System, Bonds of the City, each to be entitled "Waterworks Revenue Bond, Series _____" are hereby authorized to be issued from time to time without limitation as to amount except as provided by the rules, conditions and limitations set out with specificity in the 1991 General Waterworks Bond Ordinance, and as may be limited by the Act, and such Bonds shall be issued from time to time subject to the terms, conditions and limitations established in the 1991 General Waterworks Bond Ordinance and in one or more Series as hereinafter provided. All Bonds shall rank on a basis of parity and equality with one another as to security and source of payment (except if expressly issued as subordinate obligations), and all Bonds shall be entitled to the benefit of the continuing pledges and liens created by the 1991 General Waterworks Bond Ordinance to secure the full and

final payment of the principal of or Redemption Price, if any, and interest on the Bonds and any Sinking Fund Installments for the retirement thereof. Subject to any agreements hereafter made with the holders of any other notes or bonds of the City pledging any particular revenues or assets not pledged under the General Waterworks Bond Ordinance, if any, the Bonds shall be special obligations of the City, payable only from income, revenues and funds specifically pledged by the City for the payment of the principal of or Redemption Price, if any, and interest on said Bonds, including the Pledged Receipts.

204. Authorization for Bonds in Series. From time to time when authorized by the General Waterworks Bond Ordinance and subject to the terms, limitations and conditions established in the General Waterworks Bond Ordinance, the City may authorize the issuance of a Series of Bonds upon adoption of a Series Ordinance, and the Bonds of any such Series may be issued and delivered upon compliance with the provisions of Article II and Article VIII. The Bonds of each Series shall bear the title "Waterworks Revenue Bonds," and, at the option of the City, such other designation as may be necessary to distinguish them from the Bonds of other Series. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds, or both. The first Series of Bonds issued pursuant to the Ordinance shall effect the refunding of all then outstanding obligations of the City secured by Revenues, in order to effectuate the unencumbered pledge of the Pledged Receipts thereafter to the purposes of the System.

Each Series Ordinance authorizing the issuance of a Series of Bonds shall describe in general terms the Construction of Waterworks for which Bonds are being authorized, and shall include a determination by the City to the effect that the principal amount of said Series of Bonds is necessary to provide sufficient funds to be used and expended for the System. Each Series Ordinance shall specify and determine:

(1) the authorized principal amount of said Series of Bonds;

(2) the purposes for which each Series of Bonds are being issued, which shall be to provide funds for the purposes authorized by the Act, and in furtherance of the System, including, inter alia, one or more of the following:

(a) for deposit in the Cost of Issuance Account, any Construction and Acquisition Account and any Refunding Account established for such

Series in the Bond Proceeds Fund for purposes for which such Accounts may be used, all as provided in Section 503;

(b) for the redemption of Bonds and related purposes as provided in and under the conditions and subject to the provisions and limitations of Section 207, if applicable;

(c) for deposit in the Operation and Maintenance Fund, Debt Service Fund or Debt Service Reserve; and

(d) for payment of the principal of or Redemption Price, if any, and interest on any Notes, and in such event, the Series Ordinance shall provide for the establishment of a special account into which the proceeds of sale of such Series Bonds in whole or in part shall be deposited in trust for such payments.

(3) the title and designation of, the manner of numbering and lettering, and the denomination or denominations of the Bonds of such Series;

(4) the date or dates of maturity and the amounts thereof and the Issue Date of the Bonds of such Series;

(5) the interest rate or rates or the manner of determining such rate or rates of the Bonds of such Series and the interest payment dates of such Bonds, provided that the actual rates and maturity amounts may be approved by a resolution of the City upon acceptance of a bid for Bonds or Notes pursuant to a publicly advertised sale;

(6) the Redemption Price or Redemption Prices and the Redemption Date or Redemption Dates and other terms of redemption (if any) of any of the Bonds of such Series;

(7) the Paying Agent or Paying Agents and the Registrar or Registrars appointed by such Series Ordinance for such Bonds, subject to Section 1102, and the authorization of an agreement or agreements therewith;

(8) the portion of such series that are Serial Bonds and that are Term Bonds, if any, including the amount and date of such Sinking Fund Installment, if

any, required by such Series Ordinance to be paid in any event by the City for the retirement of any of such Bonds of like maturity and interest rate, expressed as an amount payable on a Principal Installment Date of such Bonds sufficient to redeem at the Redemption Price thereof applicable on said date a specified principal amount thereof;

(9) the manner in which Bonds of such Series are to be sold and provisions for the sale thereof or ratifications of action taken regarding such sale; and

(10) any other provisions deemed advisable by the City, not in conflict with or in substitution for the provisions of the General Waterworks Bond Ordinance.

205. Issuance and Delivery of Bonds. After their authorization by a Series Ordinance, Bonds of a Series may be executed by or on behalf of the City, and upon compliance by the City with the special requirements, if any, set forth in such Series Ordinance and with the requirements of Section 206, such Bonds shall thereupon be issued to or upon the order of the City.

206. Conditions Precedent to Authentication and Delivery of Bonds. Except as permitted by Sections 311 and 312, the Bonds authorized to be issued pursuant to this General Waterworks Bond Ordinance and a Series Ordinance shall be issued only upon condition that the following have been executed:

(1) A copy of the General Waterworks Bond Ordinance and the applicable Series Ordinance, each certified by the City Clerk of the City;

(2) The resolution or ordinance of the City as to the delivery of such Bonds signed by the Mayor of the City or such other City official as shall be designated by the City Council describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds;

(3) A Counsel's Opinion stating that in the opinion of such Counsel the General Waterworks Bond Ordinance and the applicable Series Ordinance authorizing the Series of Bonds have been duly and lawfully adopted by the City, that the General Waterworks Bond Ordinance and the applicable Series Ordinance are in full force and effect and are valid and binding upon the City and

enforceable in accordance with their terms; that the General Waterworks Bond Ordinance creates the valid pledge which it purports to create subject only to the provisions of the General Waterworks Bond Ordinance permitting the application of the Pledged Receipts for or to the purposes and on the terms and conditions set forth in the General Waterworks Bond Ordinance; and upon the execution, authentication and delivery thereof, that the Bonds of such Series will be duly and validly issued and will constitute valid and binding obligations of the City entitled to the benefits of the General Waterworks Bond Ordinance and such applicable Series Ordinance;

(4) A written order of the City signed by the Mayor or such other City official as shall be designated by the City Council directing the deposit in the Debt Service Reserve of so much of the proceeds of the Bonds to be issued, upon their issuance, sale and delivery, as may be required to increase the aggregate amount then held in said Fund to the Aggregate Debt Service Reserve Requirement; provided that the City may obtain, in lieu of such deposit, a Debt Service Reserve Guaranty as permitted under Section 506 hereof;.

(5) Except in the case of an issue of Refunding Bonds, a certificate of an Authorized Officer of the City stating that the City is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Waterworks Bond Ordinance; and

(6) Such further documents, as are required by the provisions of this Section, Section 207, or Article VII or VIII or any Supplemental Ordinance adopted pursuant to Article VIII.

(7) As a further condition, such moneys and securities as are required by the provisions of this Section, Section 207, or Article VII or VIII or any Supplemental Ordinance adopted pursuant to Article VIII.

207. Provision for Refunding Issue. (1) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of the Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding

and to make such deposits required by the provisions of the Act, this Section and of the Series Ordinance authorizing said Series of Refunding Bonds.

(2) The Bonds of the Series of Refunding Bonds may be authenticated and delivered only upon receipt by the appropriate Fiduciary or Fiduciaries (in addition to the receipt by it or them of the documents required by Section 206) of:

(a) Irrevocable instructions to the Paying Agent and to the Registrar in respect of the Bonds to be Refunded, satisfactory to each of them, to give due notice of redemption of all the Bonds to be refunded on the Redemption Date specified in such instructions;

(b) Irrevocable instructions to the Paying Agent and to the Registrar in respect of the Bonds to be Refunded, satisfactory to each of them, to give due notice provided for in Section 1201 to the Holders of Outstanding Bonds being refunded;

(c) Either:

(i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the Redemption Date, which moneys shall be held by any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of Outstanding Bonds being refunded, or

(ii) Investment Obligations (as defined for this purpose only those obligations identified in clause (a) of the definition of Investment Obligations) in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of subsection (2) of Section 1201 and any moneys required pursuant to said subsection (with respect to all Outstanding Bonds or any part of one or more Series of Outstanding Bonds being refunded) which Investment Obligations and moneys shall be held in trust and used only as provided in said subsection; and

(d) A Certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of this subsection, and the Paying Agent shall be entitled to rely on such Certificate.

(3) The appropriate Paying Agent in respect of the Bonds to be refunded shall furnish to the City at the time of delivery of the Series of Refunding Bonds a certificate stating that it holds in trust the moneys and/or Investment Obligations required to effect such redemption on the date specified in such Series Ordinance.

(4) Any balance of the proceeds of the Bonds of each such Series shall be deposited in such Funds or Accounts as shall be specified in the Series Ordinance authorizing such Series of Refunding Bonds.

(5) Any moneys received by the Company from any source, which receipt is conditioned upon the Company using such moneys for the redemption of any Outstanding Bonds shall be deemed to be and treated as the proceeds of a Series of Refunding Bonds and the Company shall deliver to the Paying Agent and Registrar the documents and moneys or obligations required by the provisions of clauses (a), (b) and (c) of subsection (2) hereof and shall do all other acts and things necessary to accomplish the redemption of such Bonds, in accordance with applicable provisions of this Section.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

301. Date of Bonds. Each Bond shall be dated as of, and bear interest from, its Issue Date except as otherwise provided in Section 304 in the case of registered Bonds.

302. Interest Payment Dates. Interest on each Bond shall be payable as provided in the Series Ordinance authorizing such Bonds.

303. Principal Installment Dates. The date when each Principal Installment with respect to a Series of Bonds is payable shall be as provided in the Series Ordinance authorizing such Bonds.

304. Medium of Payment; Form and Date. The Bonds shall be payable, with respect to principal or Redemption Price, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Upon presentation at the office of the Paying Agent and with respect to interest by check or draft mailed to the registered owner by the Payment Agent by first class mail the Bonds of each Series shall be issued in the form of fully registered Bonds without coupons. In the event that bearer Bonds including coupon Bonds become possible in the future, all or any of the Bonds of such Series may be issued in the form of bearer Bonds and Bonds registrable as to principal only, subject to further provisions regarding bearer bonds which may be set forth in a Series Ordinance.

Bonds of each Series shall be dated as of the date specified in the Series Ordinance authorizing the issuance thereof. Bonds of such Series issued prior to the first interest payment date thereof shall be dated as of the date specified in the Series Ordinance authorizing the issuance thereof. Bonds issued on or subsequent to the first interest payment date shall be dated as of the date six months preceding the interest payment date next following the date of delivery thereof, unless such date of delivery shall be an interest payment date, in which case they shall be dated as of such date of delivery; provided, however, that if, as shown by the records of the Paying Agent, interest on the Bonds of any Series shall be in default, the registered Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered. Bonds of each Series shall bear interest from their date.

305. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Ordinance as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the City prior to the delivery thereof.

306. Execution. The Bonds shall be executed in the name and on behalf of the City by the manual or facsimile signature of the Mayor of the City and the corporate seal of the City (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of the City Clerk. In case any one or more of the officials who shall have signed or sealed any of the Bonds shall cease to be such officials before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the City by such persons as at the actual time of the

execution of such Bond shall be duly authorized or hold the proper office in the City, although at the date of the Bonds of such Series such persons may not have been so authorized or have held such office.

307. Negotiability, Transfer and Registration. All the Bonds issued under this General Waterworks Bond Ordinance shall be negotiable as provided by the Act, subject to the provisions for registration and transfer contained in this General Waterworks Bond Ordinance and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Registrar shall maintain and keep books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose to the Registrar, the Registrar shall register or cause to be registered therein, and permit to be transferred thereon any Bond entitled to registration or transfer under such reasonable regulations as it or the City may prescribe.

308. Transfer of Registered Bonds. Each registered Bond shall be transferable only upon the books of the Registrar, which shall be kept for the purpose at the principal office of the Registrar, at the request of the registered owner thereof or by his authorized attorney upon surrender thereof together with an assignment satisfactory to the appropriate Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, the City shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond.

The City and any Fiduciary may deem and treat the person in whose name any Outstanding registered Bond shall be registered upon the books of the City as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, of and interest on, such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor any Fiduciary shall be affected by any notice to the contrary. The City agrees to indemnify and save any Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such registered owner.

309. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of transferring registered Bonds is exercised, the City shall execute and

deliver Bonds in accordance with the provisions of the General Waterworks Bond Ordinance. All registered Bonds surrendered in any such transfers shall forthwith be cancelled. The Registrar shall not be obligated to make any such transfer of Bonds of any Series during the period commencing on the 15th day of the month next preceding an Interest Payment Date on the Bonds of such Series and ending on such Interest Payment Date or, in the case of any proposed redemption of Bonds of such Series, the fifteen days next preceding the date of the first publication of notice of such redemption.

310. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City shall execute and deliver a new Bond of like Series, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and the City with indemnity satisfactory to each of them and complying with such other reasonable regulations as the Registrar and the City may prescribe and paying such expenses as the Registrar and the City may incur in connection therewith. All Bonds so surrendered to the Registrar shall be cancelled by it.

311. Preparation of Definitive Bonds; Temporary Bonds. The definitive Bonds of each Series shall be lithographed or printed on steel engraved borders. Until the definitive Bonds of any Series are prepared, the City may execute, in the same manner as is provided in Section 306, and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, one or more temporary Bonds (which may be registrable as to principal and interest), substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations of \$5,000 or any multiple thereof authorized by the City, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The City at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds, for which no payment or only partial payment has been provided, attached, for exchange and the cancellation of such surrendered temporary Bonds without charge to the Holder thereof, deliver in exchange therefor, at the principal office of the appropriate Registrar, definitive Bonds, of the same aggregate principal amount and series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be

entitled to the same benefits and security as definitive Bonds issued pursuant to this Ordinance.

All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled.

312. Form of Bonds. The form of Bonds issued under this General Waterworks Bond Ordinance shall be such form or forms prescribed by the applicable Series Ordinance.

ARTICLE IV

APPLICATION OF BOND PROCEEDS

401. Application of Bond Proceeds. (1) All proceeds of the Bonds of any Series to be issued, upon their issuance, sale and delivery, shall be deposited into the applicable Funds or Accounts specified, in accordance with the provisions of the Series Ordinance authorizing the issuance of the Bonds of such Series. Such proceeds shall be applied solely for purposes for which amounts in said Funds or Accounts, respectively, may be applied in accordance with the provisions of the Series Ordinance and the General Waterworks Bond Ordinance.

(2) Accrued interest and capitalized interest, if any, received upon delivery of any Series of Bonds shall be deposited in the Series Interest Account of the Debt Service Fund. The amount, if any, received as a premium over the principal amount of any Series of Bonds upon delivery of such Series shall be applied as provided in the Series Ordinance authorizing such Series.

ARTICLE V

ESTABLISHMENT OF FUNDS AND ACCOUNTS APPLICATION OF PLEDGED RECEIPTS

501. The Pledge Effected by the General Waterworks Bond Ordinance. (1) There are hereby pledged for the payment of the principal of or Redemption Price, if any, and interest on the Bonds, and the Sinking Fund Installments for the retirement thereof, in accordance with their terms and the provisions of the General Waterworks Bond Ordinance, subject only to the provisions of the General Waterworks Bond Ordinance permitting the application thereof for or to the purposes and on the terms and conditions set forth in the General Waterworks Bond Ordinance, (a) the proceeds of sale of the Bonds to the extent not required to be utilized for payment of Notes, (b) Investment Obligations acquired by Bond proceeds or by application of funds derived from Revenues, (c) the Pledged

Receipts, and (d) all Funds created and established pursuant to the General Waterworks Bond Ordinance, including Accounts thereof and moneys and securities therein, except for any fund established under the requirements to the Code to make rebate payments to the United States Treasury.

(2) The proceeds of sale of the Bonds, the Investment Obligations, the Pledged Receipts and all Funds created and established pursuant to the General Waterworks Bond Ordinance, including Accounts thereof created and established pursuant to the General Waterworks Bond Ordinance and moneys and securities therein, hereby pledged, shall immediately be subject to the lien of the pledge of Section 501 without any physical delivery thereof or further act, and the lien of said pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof.

502. Transition of Funds and Accounts for Outstanding Bonds into Funds and Accounts for Bonds Authorized by this Ordinance. There is hereby established and created the following special trust Funds and the following Accounts within such Funds:

- (1) General Revenue Fund
- (2) Debt Service Fund
 - Interest Account
 - Principal Account
- (3) Debt Service Reserve
- (4) Operation and Maintenance Fund
- (5) Depreciation Fund
- (6) Surplus Fund.

Upon the refunding of the Outstanding Bonds, amounts in the System's Water Revenue Fund, Waterworks Revenue Bond and Interest Redemption Fund, Depreciation Fund and Operation and Maintenance Fund funds shall be transferred to the General Revenue Fund, the Debt Service Reserve, the Depreciation Fund and the Operation and Maintenance Fund, respectively.

The above identified Funds and the Accounts thereof and the Bond Proceeds Fund hereinafter created shall be held and maintained by the City in financial institutions (being hereinafter sometimes referred to as "depositories," and each being a Fiduciary as defined in the General Waterworks Bond

Ordinance) from time to time appointed by the City in a Series Ordinance or by other action of the City.

503. Bond Proceeds Fund. (1) There is hereby created the Bond Proceeds Fund-General Waterworks Bond Ordinance (the "Bond Proceeds Fund"). The City shall establish and create within the Bond Proceeds Fund, beginning with the issue of the first Series Bonds hereunder, a separate (a) Cost of Issuance Account, and a separate (b) Construction and Acquisition Account, for each Series of Bonds Outstanding, (provided, that in the event that Bond proceeds are to be used in whole or in part for the payment, or provision therefor, of outstanding debt obligations, a different suitable name and purpose for such separate account may be employed such as "Series Refunding Account") and shall identify each separate Account by inserting in the designation therefor the year, letter or other designation of the Bonds of such Series.

(2) There shall be deposited from time to time in the Cost of Issuance Account established for each Series the amount of moneys necessary to pay the costs of issuance of such Series from either:

(a) the proceeds of the Bonds of such Series as specified and determined in the Series Ordinance authorizing the issuance of such Series, or

(b) moneys from time to time received by the City from any other source, and determined by the City to be deposited in such Account, unless required to be otherwise applied as provided by the Ordinance.

To the extent not otherwise provided for, the Cost of Issuance of a Series of Bonds shall be paid only from the moneys credited to the Cost of Issuance Account established for such Series of Bonds.

(3) The depository shall from time to time pay out, or permit the withdrawal, of moneys credited to any Cost of Issuance Account, free and clear of any lien or pledge or assignment in trust created by this Article, for the purpose of paying in the manner herein authorized any Costs of Issuance of the Bonds of the Series for which such Account was established, upon receipt by said depository of a check or other bill of exchange drawn upon such Account, signed by an Authorized Officer stating with respect to each payment to be made:

(a) the item for which payment is to be made,

(b) the name of the person or party to whom the payment is to be made, and

(c) the amount to be paid.

(4) Upon receipt of a Certificate signed by an Authorized Officer to the effect that all Costs of Issuance of the applicable Series of Bonds have been paid, the depository, upon such direction of the City, taken by similar action, shall transfer any moneys remaining in said Cost of Issuance Account to the Construction and Acquisition Account established for such Series.

(5) Upon the deposit of the proceeds of the Bonds of a Series or other moneys in the manner hereinabove prescribed in any Cost of Issuance Account, the City shall direct the depository to invest and reinvest the moneys in said identified Account in Investment Obligations, so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide as nearly as practicable with the times at which moneys are needed by the City to be expended. The Investment Obligations purchased shall be held by the depository and shall be deemed at all times to be part of such Cost of Issuance Account and the depository shall deliver to the City a safekeeping certificate as to the identity and amount of all such investments. The City shall sell at the best price obtainable or present for redemption, any obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from the Cost of Issuance Account.

(6) There shall be deposited into the applicable Construction and Acquisition Account, such amounts of the proceeds of the Bonds of any Series required to be deposited therein as shall be specified and determined by the Series Ordinance authorizing such Series of Bonds, in accordance with and subject to the provisions of Article IV.

(7) Moneys credited to the Construction and Acquisition Account shall be expended only for the payment of Construction costs of the System subject to the provisions and restrictions of this Section.

(8) Except as may be expressly limited by the purposes for which a Series of Bonds is issued as set forth in the Series Ordinance authorizing such Series, amounts in any Construction and Acquisition Account shall be expended and applied by the depository upon issuance of a check or other bill of exchange drawn upon such Account, signed by an Authorized Officer. Such checks shall be issued in connection

with the System work for which such Series of Bonds is issued, in order to make disbursements required to be made by the City pursuant to the terms and provisions of construction and acquisition contracts to which the City is a party relating to the System. The City shall keep and maintain complete and detailed records with respect to said Construction and Acquisition Account.

(9) Upon the deposit of the proceeds of the Bonds of a Series or other moneys in the manner hereinabove prescribed in the Construction and Acquisition Account, the City shall invest and reinvest the moneys in said Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide as nearly as practicable with the times at which moneys are required by the City to be expended on account of construction and acquisition contracts in respect of the System. All Investment Obligations purchased shall be physically held in the custody of the depository and shall be deemed at all times to be part of such Construction and Acquisition Account, and the depository shall deliver to the City a safekeeping certificate as to the identity and amount of all such investments. The City shall, by order signed by an Authorized Officer, sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any authorized payment from such Construction and Acquisition Account.

(10) The City shall from time to time pay out or permit the withdrawal of moneys from any Construction and Acquisition Account for the purpose of making disbursements and payments to contractors, material suppliers, fabricators and others rendering services pursuant to the System, pursuant to the terms of contracts between the City and such persons upon issuance of a check or other bill of exchange drawn upon such Account signed by an Authorized Officer, accompanied by a written voucher executed by the Engineers, which voucher shall contain the following with respect to each payment or disbursement to be made:

(a) the name of the person or party to whom the payment or disbursement is to be made;

(b) the amount to be paid to such person or party;

(c) the applicable construction, acquisition or service contract in respect of which the payment or disbursement is to be made;

(d) that with respect to such requested payment or disbursement there has not been filed with or served upon the City notice of any lien or attachment upon, or claim affecting the right to receive, payment of any of the amounts requisitioned and payable to any of the persons, firms, or corporations named in such requisition which has not been released or will not be released simultaneously with such payment;

(e) that such requisition for payment contains no item representing payment on account of any retained percentages of Construction cost which the City is at the date of such requisition entitled to retain;

(f) that in connection with such requisition for payment, the City has received such proofs as are properly required by the City to the effect that each obligation set forth in said requisition for payment has been (i) properly incurred, and (ii) is then due and unpaid; and (iii) that insofar as such obligation was incurred for work, services materials, equipment or supplies, such work or services was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the Construction of the System, or were delivered at the site or sites of the System for such purposes.

(11) All such written checks or bills of exchange (requisitions) of the City signed by an Authorized Officer and conforming to subsection (1) above received by the depository as herein set forth may be relied upon by and shall be retained in the possession of the depository, subject at all times to the inspection of the City and its officials.

(12) At such times as all moneys due to be disbursed from any Construction and Acquisition Account have been so disbursed and paid, and the depository has received (a) a Certificate executed by an Authorized Officer stating that completion of the designated portion of the System authorized by the specified Series of Bonds has occurred, which Certificate shall be accompanied by (b) an opinion of legal counsel for the City stating that there are no uncalled mechanics', laborers', contractors' or materialmens' liens on file in any public office where the same should be filed in order to be valid liens against any part of any Waterworks constructed by the City, and that in the opinion of said legal counsel the time within which such liens can be filed has expired, the balance in such Construction and Acquisition Account shall thereupon be transferred by the depository to the Debt Service Fund, or upon the filing of a Certificate by such

Authorized Officer to the effect that further Series of Bonds are due to be issued within a reasonable time, may be held in said Account. Provided, further, that the City, by Certificate executed by such Authorized Officer, may direct the depository to pay and transfer such remaining balance to any other Construction and Acquisition Account created in connection with the System.

504. General Revenue Fund. (1) The City shall cause all moneys received as Pledged Receipts, together with income from the Debt Service Reserve pursuant to Section 506(5) hereof, to be deposited promptly into the General Revenue Fund.

(2) To the extent moneys are received by the City representing any legislative appropriation or grant, federal or state, for purposes of deposit to the General Revenue Fund, the Debt Service Fund or the Debt Service Reserve, or for the defrayal of Operation and Maintenance Costs, such funds shall be promptly transmitted by the City to the appropriate depository for deposit to the Fund or Account so specified.

(3) The City shall cause all moneys received as such income and revenues, and as such Pledged Receipts, to be transferred from the General Revenue Fund and deposited to the following Accounts and Funds on no less than a monthly basis (except for items FIFTH and SIXTH) in the amounts hereinafter stated and in the prescribed sequence:

FIRST: Into the Interest Account within the Debt Service Fund an amount when added to the amount then on deposit therein, equal to the interest on all Outstanding Bonds accrued and unpaid in respect of the next Interest Payment Date divided by the number of months preceding such Interest Payment Date or to reimburse a credit provider for its direct payment of interest on Bonds under an agreement with such credit provider.

SECOND: Into the Principal Account within the Debt Service Fund an amount when added to the amount then on deposit therein, equal to the Principal Installments accrued and unpaid in respect of the next Principal Installment Date divided by the number of months preceding such Principal Installment Date or to reimburse a credit provider for its direct payment of principal of Bonds under an agreement with such credit provider.

THIRD: If at any time the amount in the Debt Service Reserve is less than the Aggregate Debt Service Reserve Requirement, there shall be deposited into the Debt Service Reserve, on no less than a monthly basis, an amount equal to 1/24th of such deficiency so that the balance in the Debt Service Reserve will equal the Aggregate Debt Service Reserve Requirement in the month that is twenty-four (24) months from the month such deficiency first existed. Thereafter such

monthly payments may cease for so long as the required balance in the Debt Service Reserve is maintained and such monthly payments shall resume again if at any time said balance is less than the Aggregate Debt Service Reserve Requirement and shall continue until said balance is established.

FOURTH: Into the Operation and Maintenance Fund, (i) the amount of moneys needed and required prior to the tenth day of the succeeding month to pay reasonable and necessary Operation and Maintenance costs in accordance with the Annual Budget (the "Monthly Requirement") together with (ii) such proportionate amounts as will, during the twenty-four months following the issuance of any Series of Bonds, together with sums then on deposit in said Fund, equal estimated and budgeted Operation and Maintenance Costs for one (1) month, such additional sums to be held as an operational reserve and expended as required, subject to replacement in the same manner, if so expended.

FIFTH: If at any time the amount in the Depreciation Fund is less than the Depreciation Reserve Requirement, there shall be deposited into the Depreciation Fund, on no less than a monthly basis, an amount equal to 1/24th of such deficiency so that the balance in the Depreciation Fund will equal the Depreciation Reserve Requirement in the month that is twenty-four months from the month such deficiency first existed. Thereafter such monthly payments may cease for so long as the required balance in the Depreciation Fund is maintained and such monthly payments shall resume again if at any time said balance is less than the Depreciation Reserve Requirement and shall continue until said balance is established.

SIXTH: On a periodic basis, but no less frequently than annually, the revenues remaining in the General Revenue Fund at the end of the month, or, in the case of annual transfers, the preceding calendar year, after making the payments required by paragraphs FIRST to FIFTH, inclusive, hereof, including any balances to be accrued and maintained, shall be transferred to the Surplus Fund.

(4) Moneys in the General Revenue Fund shall be invested by the City, in Investment Obligations maturing no later than the tenth (10th) day of the month next succeeding the month that the depository last made deposits as provided in subsection (3) hereof, and except for such investments, shall be used only to make the deposits as provided for in this Section. All investments made by the City in any Fund or Account created by this General Waterworks Bond Ordinance shall be made upon written order issued by an Authorized Officer.

505. Debt Service Fund. (1) The Debt Service Fund shall be maintained by the City in the appropriate depository so long as any of the Bonds authorized or permitted to be issued by this General Waterworks Bond Ordinance remain outstanding; and all moneys deposited in the Debt Service Fund from time to time shall be used, disbursed and applied, and are irrevocably pledged solely for the purpose of paying the principal of, interest on, and Sinking Fund installments in respect of all such Bonds as may be issued and outstanding from time to time pursuant to the provisions of this General Waterworks Bond Ordinance, including any future parity Bond Series. Funds in the Debt Service Fund may, from time to time, at the option of the City, be used and employed to purchase sufficient Term Bonds, if any be Outstanding, to satisfy a Sinking Fund Installment due within the next succeeding twelve (12) months. The City shall direct the depository to, and the depository shall, pay out of the Interest Account to any Paying Agents for any of the Bonds (a) on the day preceding each Interest Payment Date, the amounts required for the payment of interest on the Outstanding Bonds due on such date, and (b) on the date preceding the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments.

(2) The City may invest the moneys in the Interest Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder shall be on or before the Interest Payment Date next succeeding the date upon which such investment is made.

(3) The City shall direct the depository to, and the depository shall, pay out of moneys credited to the Principal Account to the respective Paying Agents on the day preceding each Principal Installment Date for any of the Outstanding Bonds, the amounts required for the payment of principal due on such date and such amounts shall be applied by the Paying Agents to such payments.

(4) The amount accumulated in the Principal Account for each Sinking Fund Installment may, at the option of the City, be applied (together with amounts accumulated in the Interest Account with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the City prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Installment, as follows:

(a) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable from Sinking Fund Installments for such Bonds when such Bonds are redeemable by application of said Sinking Fund Installments, plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the City shall determine, or

(b) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in Clause (a) hereof.

As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Installment, the City shall proceed to call for redemption, pursuant to Section 603, on such due date, Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Bonds of such Series and maturity. The City shall so call such Bonds for redemption whether or not it then has moneys in the Principal Account sufficient to pay the applicable Redemption Price thereof, to the Redemption Date. The City shall direct the depository to, and the depository shall, pay out of such Principal Account to the appropriate Paying Agents, on the day preceding each such Redemption Date, the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(5) The City may invest the moneys in the Principal Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder shall be on or before the Principal Installment Date next succeeding the date when such investment is made.

506. Debt Service Reserve. (1) There shall be deposited to the credit of the Debt Service Reserve (a) all Pledged Receipts from the General Revenue Fund required to be deposited therein by this General Waterworks Bond Ordinance, (b) all moneys received on account of or in connection with Investment Obligations credited to the Debt Service Reserve as in this Section provided, and (c) all Bond proceeds required by Series Ordinance to be deposited in the Debt Service Reserve.

(2) The Debt Service Reserve is pledged to and shall be used for the payment of principal of, interest on, and Redemption Price, if any, in respect of any Outstanding Bond as

to which there would otherwise be a default in payment, and sums in the Debt Service Reserve shall be transferred to other Funds and Accounts in a timely manner upon due certification as provided in subsection (3) of this Section 506 in order to effectuate the intent of this Section and the purposes of the Debt Service Reserve. In the event that amounts in the Debt Service Reserve are reduced below the Aggregate Debt Service Reserve Requirement by transfer to the Debt Service Fund or as a result of a reduction in value of Investment Obligations upon a determination of value in accordance with Section 510, the deficiency in the Debt Service Reserve shall be cured from the first available revenues.

(3) The City shall cause the depository from time to time to transfer or pay out moneys in the Debt Service Reserve for the purpose of making payments and transfers to other Funds and Accounts pursuant to subsection (2) hereof upon receipt by said depository of a check or other bill of exchange executed by an Authorized Officer stating with respect to each payment or transfer to be made:

(a) the Account or Fund to which the payment or transfer is to be made,

(b) the purpose of the payment or transfer, and

(c) the amount to be paid.

(4) Sums from time to time in the Debt Service Reserve shall be continuously invested upon direction of the City, in Investment Obligations. The City shall sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to effectuate the purposes of the Debt Service Reserve.

(5) Any interest earned or sums realized as a result of investment of moneys in the Debt Service Reserve in Investment Obligations shall accrue to, and be a part of, said Debt Service Reserve; provided, however, that so long as the Debt Service Reserve contains the Aggregate Debt Service Reserve Requirement, any such interest earned or sums realized shall be transferred, as received, to the General Revenue Fund.

(6) In lieu of the deposit of funds in the Debt Service Reserve, the City may obtain a Debt Service Reserve Guaranty. Any Debt Service Reserve Guaranty shall be considered a deposit of funds in the Debt Service Reserve equal to the Debt Service Reserve Coverage provided by the Debt Service Reserve Guaranty Agreement.

As conditions precedent to delivery of a Debt Service Reserve Guaranty, the City shall obtain (i) a Debt Service Reserve Guaranty, (ii) an opinion of counsel addressed to the City stating that the delivery of such Debt Service Reserve Guaranty to the City is authorized under the General Waterworks Bond Ordinance, as amended, and complies with the terms thereof, and (iii) written evidence from a Rating Agency, if the Bonds are rated by such Rating Agency, that the Rating Agency has reviewed the proposed Debt Service Reserve Guaranty and that (x) the issuance of the Debt Service Reserve Guaranty to the City and (y) if a Debt Service Reserve Guaranty is then in effect with respect to the Debt Service Reserve, the substitution of the proposed Debt Service Reserve Guaranty for the Debt Service Reserve Guaranty then in effect, will not, by itself, result in a reduction or withdrawal of its rating on the Bonds. If the Bonds are insured by a bond insurer, the references to Rating Agency in the prior sentence shall be read to mean such bond insurer and the substitution of the proposed Debt Service Reserve Guaranty shall not result in the cancellation of the bond insurance provided by such Bond Insurer.

"Debt Service Reserve Guarantor" means the issuer of a Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty" means a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Debt Service Reserve Guarantor to pay to the City upon request made by the City up to an amount stated therein for application as provided in this Section 506.

"Debt Service Reserve Guaranty Agreement" means the reimbursement agreement, loan agreement or similar agreement between the City and a Debt Service Reserve Guarantor with respect to repayment of amounts advanced under the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Coverage" means the amount available at any particular time to be paid to the City under the terms of the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Limit" means the maximum aggregate amount available to be paid to the City under the terms of a Debt Service Reserve Guaranty.

"Rating Agency" means either Moody's Investors Service, Inc. or Standard & Poor's Corporation, both corporations and organized under the laws of the States of Delaware and New York, respectively, and their successors and assigns.

507. Operation and Maintenance Fund. (1) The Operation and Maintenance Fund shall be used to pay the reasonable expenses of operating, maintaining and repairing the System and for paying Operation and Maintenance Costs. There shall be paid into the Operation and Maintenance Fund the amounts required to be so paid by the provisions of Section 504, and there may be paid into the Operation and Maintenance Fund any moneys received by the City from any other source, unless required to be otherwise applied as provided by this General Waterworks Bond Ordinance.

(2) Subject to the provisions and requirements of subsection (3) of Section 504, moneys in the Operation and Maintenance Fund shall be withdrawn and paid out from time to time by the City for the purpose of paying reasonable or necessary Operation and Maintenance Costs and when so withdrawn and paid out shall be free and clear of any lien, pledge or assignment in trust created by this General Waterworks Bond Ordinance, provided, however, the City may at any time withdraw moneys from the Operation and Maintenance Fund and deposit such moneys into any other Funds or Accounts created by this General Waterworks Bond Ordinance, other than the Depreciation Fund.

(3) Amounts in the Operation and Maintenance Fund may, in the discretion of the City, be invested in Investment Obligations maturing in such amounts and at such times as may be necessary to provide funds when needed to pay Operation and Maintenance Costs. The City may, and to the extent required for payments from the Operation and Maintenance Fund shall, sell at the best price obtainable, or duly present for redemption, any such Investment Obligations at any time, and the proceeds of such sale and of all payments at maturity and upon redemption of such Investment Obligations shall be held in the Operation and Maintenance Fund and unless otherwise transferred or expended pursuant to the provisions of this Section shall be applied to reduce the next succeeding Monthly Requirement.

508. Depreciation Fund. (1) The Depreciation Fund shall be available and shall be utilized to balance depreciation, to make unforeseen major repairs and replacements of the System and to pay the costs of constructing additions, extensions, betterments and improvements to the System which will either increase income and revenues or provide a higher degree of service. There shall be deposited or transferred to the Depreciation Fund any moneys required to be deposited or transferred thereto by the provisions of Section 504 hereof.

(2) In addition, so long as the balance in the Depreciation Fund is less than the Depreciation Reserve

Requirement, there shall be transferred to and deposited in such Fund any other moneys:

(a) received by the City from any other source and duly determined and ordered by the City to be deposited therein, unless required to be otherwise applied as provided by this General Waterworks Bond Ordinance,

(b) for which the City has exercised a discretion to so deposit or transfer as permitted by this Ordinance, and

(c) ordered to be so deposited from the proceeds of any Series of Bonds, pursuant to a duly adopted Series Ordinance.

(3) Any Investment Obligation credited to the Depreciation Fund may be sold at any time by the City, upon written direction by an Authorized Officer in order to provide moneys for any of the purposes described above.

(4) To the extent that other moneys will not be available for the payment of Principal Installments of and interest on Bonds when due or the payment of operation and maintenance costs, amounts in the Depreciation Fund shall be transferred by the City, upon written direction by an Authorized Officer and be deposited in the Debt Service Fund or Operation and Maintenance Fund, as applicable.

(5) The depository shall from time to time pay out or permit the withdrawal of moneys from the Depreciation Fund for the purpose of making payments pursuant to subsection (3) hereof upon receipt by said depository of a check or bill of exchange executed by an Authorized Officer stating the following with respect to each payment to be made:

(a) the Fund from which the payment is to be made,

(b) the name of the person or party to whom the payment is to be made, and

(c) the amount to be paid.

(6) Any interest earned or sums realized as a result of investment of moneys in the Depreciation Fund in Investment Obligations shall accrue to, and be a part of, the Depreciation Fund; provided, however, that so long as the Depreciation Fund

contains the Depreciation Reserve Requirement, any such interest earned or sums realized may be transferred, as received, to the General Revenue Fund.

509. Surplus Fund. (1) The Surplus Fund shall be maintained by the City in the appropriate depository so long as any of the Bonds authorized or permitted to be issued by this General Waterworks Bond Ordinance remain outstanding; and all moneys deposited in the Surplus Fund may be used as follows: (a) to the extent necessary from time to time monies in the Surplus Fund shall be transferred to the Debt Service Fund to permit payment of all obligations payable from such Fund without drawing on the Debt Service Reserve; (b) monies in the Surplus Fund shall be used for payment of principal of and interest on any outstanding bonds and notes issued by the City to pay for costs of improving or extending the System or may be transferred to the appropriate Fund or Account created herein or in any Series Ordinance adopted pursuant to this General Waterworks Bond Ordinance to permit such payment; and (c) monies in the Surplus Fund otherwise may be used for any other lawful municipal purpose.

(2) Sums from time to time in the Surplus Fund shall be continuously invested upon direction of the City, in Investment Obligations. The City shall sell at the best price obtainable, or present for, redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to effectuate the purposes of the Surplus Fund.

(3) Any interest earned or sums realized as a result of investment of monies in the Surplus Fund in Investment Obligations shall accrue to, and be a part of, said Surplus Fund.

510) Investment of Funds; Valuation. Except as otherwise provided for in this General Waterworks Bond Ordinance:

(a) Investment Obligations purchased as an investment of moneys in any Fund or Account held by the City or the depository under the provisions of this General Waterworks Bond Ordinance shall be deemed at all times to be a part of such Fund or Account and the income or interest earned, gains realized or losses suffered by a Fund or Account due to the investment thereof shall be retained in, credited or charged thereto as the case may be, subject, in the case of the Debt Service Reserve, to the provisions of Section 506(5) hereof; provided that escrow agreements may provide otherwise.

(b) In computing the amount in all Funds, including the Accounts thereof, Investment Obligations purchased as an investment of moneys therein, shall be valued at the lesser of cost or fair market value. The value of Investment Obligations in the Debt Service Reserve and the Depreciation Fund shall be determined as of the first day of each fiscal year. Valuation as of any date of computation shall include the amount of interest or gain realized to such date.

(c) The City shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligation purchased by it as an investment pursuant to this General Waterworks Bond Ordinance whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. The depository shall advise the City in writing, on or before the twentieth day of each calendar month, of the details of all Investment Obligations held for the credit of each Fund or Account in its custody under the provisions of this General Waterworks Bond Ordinance as of the end of the preceding month. The depository shall review and advise the City annually on the nature and value of investments in each Fund or Account. In the event that Investment Obligations in the Debt Service Reserve fall below the level required by this General Waterworks Bond Ordinance, the depository shall notify the City and the City shall cure such deficiency as provided in Section 506(2) hereof.

511. Notes and Other Obligations. (1) The City may, at any time or from time to time, issue notes, bonds and other obligations having such terms and provisions and secured by a pledge of such funds as the ordinance authorizing the same shall provide; provided, however (except as otherwise provided in subsection (2) of this Section), that any pledge of any Fund or Account created under this General Waterworks Bond Ordinance to the holders of any such notes, bonds or other obligations shall be, and shall be expressed to be, subordinate in all respects to the pledge created under this General Waterworks Bond Ordinance for the benefit of the holders of Bonds issued under this General Waterworks Bond Ordinance.

(2) Whenever the City shall have by Series Ordinance authorized or made provision for the authorization of, the issuance of a Series of Bonds, the City may by ordinance authorize the issuance of Notes in anticipation of the sale of such Series in a principal amount not exceeding the principal

amount of such Series. The principal or any interest on such Notes and renewals thereof shall be payable from other moneys of the City available therefor and not pledged under this General Waterworks Bond Ordinance, including, but not by way of limitation, Investment Obligations purchased from Note proceeds. The principal on such Notes shall also be payable from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued. Such proceeds may be pledged for the payment of the principal of such Notes and any such pledge shall have priority over any other pledge created by this General Waterworks Bond Ordinance. The proceeds of sale of such Notes shall be applied to the purposes for which such Notes are authorized, and, if the ordinance or ordinances authorizing such Notes so provide, to the payment of interest and other costs in connection with the sale and issuance of such Notes.

ARTICLE VI

REDEMPTION OF BONDS

601. Privilege of Redemption and Redemption Price.

Bonds subject to redemption prior to maturity pursuant to a Series Ordinance shall be redeemable, upon notice as provided in this Article, at such times; at such Redemption Prices and upon such terms as may be specified in the Series Ordinance authorizing such Series.

602. Redemption at the Election or Direction of the City. In the case of any redemption of Bonds otherwise than as provided in Section 603, the City shall give written notice to the applicable Paying Agent and the depository of the Debt Service Fund of its election so to redeem, of the Redemption Date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by the City in its sole discretion, subject to any limitations with respect thereto contained in this Ordinance and any Series Ordinance) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least 45 days prior to the Redemption Date or such shorter period as shall be acceptable to the applicable Paying Agent and the depository of the Debt Service Fund. In the event notice of redemption shall have been given as in Section 605 provided, the depository of the Debt Service Fund shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any available therefore held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof, all of the Bonds to be redeemed.

603. Selection of Bonds to be Redeemed by Lot. In the event of redemption of less than all the Outstanding Bonds of like Series and maturity, the City or applicable Paying Agent shall assign to each such Outstanding registered Bond a distinctive number for each \$5,000 of the principal amount of such Bond and shall select by lot, using such method of selection as it shall deem proper in its discretion, as many numbers as, at \$5,000 for each number shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the registered Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such registered Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. For the purpose of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

604. Notice of Redemption. The City or the applicable Paying Agent shall give notice in the name of the City of the redemption of Bonds determined by the City or the applicable Paying Agent to be redeemed, which notice shall specify the Series and maturities of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed and, in the case of registered Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such Redemption Date interest thereon shall cease to accrue and be payable. The City or the applicable Paying Agent shall mail a copy of such notice, postage prepaid, registered mail, not less than thirty (30) days before the Redemption Date to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books.

605. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 604, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with an assignment duly

executed by the registered owner or his duly authorized attorney, and, in the case of coupon Bonds, if any, all appurtenant coupons maturing subsequent to the Redemption Date, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the Redemption Date not represented by coupons for matured interest installments. If there shall be drawn for redemption less than all of a registered Bond, the City shall execute and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered at the option of the owner thereof, registered bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by any Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE VII

PARTICULAR COVENANTS OF THE CITY

701. Effect of Covenants. The City hereby particularly covenants and agrees with the Holders of the Bonds and coupons, and makes provisions which shall be a part of the contract with such Holders, to the effect and with the purposes set forth in the following Sections of this Article.

702. Payment of Bonds. The City shall duly and punctually pay or cause to be paid from the moneys and assets herein pledged, the principal of or Redemption Price, if any, of every Bond and the interest thereon, at the date and places and in the manner mentioned in the bonds according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds, but solely from the moneys pledged pursuant to this Ordinance.

703. Offices For Servicing Bonds. The City shall at all times maintain or cause to be maintained an office or agency where notices, presentations and demands upon the City in respect of the Bonds or of this Ordinance may be served.

The City hereby designates the Registrars' principal offices as the offices for the registration, transfer or exchange of Bonds. The City hereby appoints the Paying Agents and Registrars as its respective agents to maintain such offices or agencies for the payment of Bonds as may be stipulated in any Series Ordinance.

704. Further Assurance. At any time and all times the City shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further ordinances, 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 City may hereafter become bound to pledge or assign.

705. Powers as to Bonds and Pledge. The City is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the 1991 General Waterworks Bond Ordinance and to pledge the income, revenues and assets pledged by the 1991 General Waterworks Bond Ordinance in the manner and to the extent provided in the 1991 General Waterworks Bond Ordinance. The income, revenues and assets so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the 1991 General Waterworks Bond Ordinance, and all official action on the part of the City to that end has been duly and validly taken. The Bonds and the provisions of the 1991 General Waterworks Bond Ordinance are and will be the valid and legally enforceable special obligations of the City in accordance with their terms and the terms of the 1991 General Waterworks Bond Ordinance. The City shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the income, revenues and assets pledged under the 1991 General Waterworks Bond Ordinance and all the rights of the Bondholders under the 1991 General Waterworks Bond Ordinance against all claims and demands of all persons whomsoever.

706. Tax Covenant. In the event the City issues Bonds which are intended to be excludable from gross income for federal income tax purposes, the City shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion. Further covenants of the City regarding federal tax requirements shall, if applicable, be set forth in the applicable Series Ordinance.

707. Accounts and Reports. The City 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, and all Funds and Accounts established by this 1991 General Waterworks Bond Ordinance, which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than five per centum (5%) in principal amount of bonds then Outstanding or their representatives duly authorized in writing.

708. General Compliance With All Duties. The City shall faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky, Chapter 58 and Sections 96.320 to 96.510, inclusive, of the Kentucky Revised Statutes, and by the terms and provisions of the 1991 General Waterworks Bond Ordinance.

709. Operation and Maintenance; No Free Service. The City shall at all times lawfully maintain and operate said System and all extensions thereto on a revenue-producing basis, and will provide no free water services to any person. From and after the issuance of any Bonds, the City will not initiate and commence service to any person without charging in full for services rendered in accordance with its prescribed and current schedule of rates, rentals and charges. The City shall further maintain the said System in good condition through application of Pledged Receipts accumulated and set aside for operation and maintenance, as provided in the 1991 General Waterworks Bond Ordinance; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of Pledged Receipts accumulated and set aside for such purposes.

710. System Not to Be Disposed Of. The City covenants and agrees that, so long as any Bonds are Outstanding, it will not sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the Company or the System or any part thereof (except that obsolete and worn out facilities may be retired and sold, if appropriate), depositing the sale price to the Depreciation Fund; and, except as provided for in the 1991 General Waterworks Bond Ordinance, it will not create or permit to be created any charge or lien on the Pledged Receipts ranking equal or prior to charge, or lien of the Bonds.

711. Rates and Charges; Coverage; Annual Budget. The City shall at all times establish, enforce and collect rates, rentals, and charges for services rendered and facilities afforded by said City works and facilities constituting the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the

costs of operating the same and maintaining the same in a good state of repair, proper and necessary allowances for additions and extensions, and the amounts necessary for the orderly retirement of all Outstanding Bonds and the accruing interest thereon, and the accumulation and maintenance of reserves as provided in the 1991 General Waterworks Bond Ordinance (but excluding depreciation expense); and such rates and charges shall be adequate to meet all such requirements as provided in the 1991 General Waterworks Bond Ordinance, and shall, if necessary, be adjusted from time to time in order to comply therewith (subject to such regulatory approvals as may be required by law); and annual revenue from such rates, rentals and charges shall be further adequate to provide, after fulfillment of all contractual obligations required of the City incident to the Bonds, including accumulation and maintenance of all reserves required by the 1991 General Waterworks Bond Ordinance, and after payment of Operation and Maintenance Costs as provided in the Annual Budget of the System, 1.25 times coverage of annual principal, interest, and Sinking Fund requirements on all Bonds, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the first day of each fiscal year, so long as any Bonds authorized or permitted to be issued by the 1991 General Waterworks Bond Ordinance are outstanding, the City will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will promptly file a copy of each such Budget, and of any amendments thereto, in the Office of the City Clerk, and will furnish copies thereof to any holder of any Bond upon request. The term "Current Expenses" as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude depreciation expense and expenditures for extensions, improvements and extraordinary repairs and maintenance, and payments into the Debt Service Fund, and the Debt Service Reserve. The City covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts available therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the total amount provided for Current Expenses in the Annual Budget. At the same time, and in like manner, the City agrees that it will prepare an estimate of gross income and revenue to be derived from operation of the System for such fiscal year, and to the extent that said gross income and revenues are insufficient to meet all requirements as provided in this 1991 General Waterworks Bond Ordinance, the City covenants and agrees that it will immediately (subject to any regulatory approvals as required by law) revise its rates, rentals and charges for services rendered by the City's works and facilities, so that the same will be adequate to meet all of such requirements.

712. No Decrease in Rates, Rentals and Charges. The City shall not at any time make any reduction in any prevailing schedule of rates, rentals and charges for use of the services and facilities of the City without first obtaining the written determination of a Consulting Engineer of national recognition in the field of Water Engineering to the effect that the proposed reduction will not adversely affect the ability of the City to meet all the requirements and covenants set forth in this 1991 General Waterworks Bond Ordinance.

713. Segregation of Funds. The City 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 City, if any, and will promptly and regularly make application and distribution thereof into the special funds identified in and created by the 1991 General Waterworks Bond Ordinance, in the manner and with due regard for the priorities herein attributed thereto.

714. Annual Audit Required. The City shall, within sixty (60) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, and a report on such audit to be issued by an independent certified public accountant, reflecting in reasonable detail the financial condition and results of operations of the System, including the status of the required insurance and fidelity bonding, as provided by this 1991 General Waterworks Bond Ordinance, the current rates, rentals and charges of the City and coverage ratios as set forth in Section 711 hereof, with comments of the certified public accountant concerning compliance with all provisions and requirements of this 1991 General Waterworks Bond Ordinance, such audit to be in accordance with generally accepted governmental accounting principles, and will promptly cause a copy of the audit report of said certified public accountant to be submitted to the Council for review, and when received and approved by the Council, to be filed with the City Clerk, where it will be available for public inspection. If requested to do so, the City will furnish to any Bondholder a condensed form of the balance sheet, and a condensed form of the operating report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from Revenues allocated for such purposes, as herein provided.

715. Fidelity Bonding of Personnel. The City shall cause each officer or other person (other than depository banks) having custody of any moneys administered under the provisions of the Ordinance to be bonded at all times in an

amount at least equal to \$25,000; each such bond to have surety given by a surety corporation qualified to do business in Kentucky, and the premiums for such surety shall constitute a proper expense of operating the System.

716. Insurance of Facilities. The City covenants and agrees that so long as any Bonds are outstanding, it will cause all buildings and all machinery and equipment therein constituting a part of the System and, to the extent possible, all other facilities of the System which are insurable, to be insured against loss or damage by fire, lightning, windstorm, vandalism and malicious mischief, together with coverage against the perils normally and regularly insured against in standard "extended coverage" protection, under a policy or policies of a responsible insurance company or companies authorized and qualified under the laws of Kentucky to assume such risks. Coverage of such insurance shall be for not less than ninety per centum (90%) of the insurable value, or the total principal amount of Bonds outstanding, whichever sum is the lesser, subject to the deduction from such loss or damage (except in the case of a total loss) of not more than such deductibles which are customarily maintained by cities which are similar to the City.

717. Liability Coverage Required. The City shall cause public liability, vehicular insurance, and property damage insurance to be maintained covering such risks and for such amounts as the Company determines from time to time to be necessary or advisable by reason of the character and extent of operations of the System. However, at a minimum, the City shall carry such insurance insuring the City against losses occasioned by bodily injury and in respect of property damage in amounts which are customarily maintained by cities which are similar to the City. If obtainable, the City may (but need not) carry loss of use and occupancy insurance, and war risk insurance. The proceeds of any and all such insurance, other than public liability and property damage, are hereby pledged as security for the Bonds issued pursuant to the 1991 General Waterworks Bond Ordinance until such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, by repairing or replacing the property damaged or destroyed.

718. System Improvements To Be Expeditiously Completed. When any Series of Bonds are issued, the City shall cause the work thereby to be acquired to be constructed and installed as rapidly and expeditiously as good business practice dictates, and will use and employ its best efforts to prevent delay in the prompt fulfillment of any such work.

719. Personnel and Servicing of System. (1) The City shall at all times cause there to be appointed, retained and employed, personnel for the purposes of administering and managing the System and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all such persons shall be qualified for their respective positions.

(2) The City may pay to any state agency, municipality, political subdivision or governmental instrumentality of the state from the Operation and Maintenance Fund such amounts as are necessary to reimburse such state agency, municipality, political subdivision or governmental instrumentality of the state for the reasonable costs of any services performed for and on behalf of the City, if any.

(3) The City shall in a timely manner file all reports, as may, from time to time be required by law, and shall prepare and file such other reports and documents as shall in the future be required by law, including administrative regulations promulgated by any agency of the federal government or the Commonwealth of Kentucky having jurisdiction.

720. Compliance With Conditions Precedent. Upon the date of issuance or any of the Bonds, all conditions, acts and things required by law or by the 1991 General Waterworks Bond Ordinance or a Series Ordinance to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds, shall exist, shall have happened and shall have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of the City, shall be within every debt and other limit prescribed by law.

721. General. The City 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 City under the provisions of the Act and the 1991 General Waterworks Bond Ordinance in accordance with the terms of such provisions.

722. Waiver of Laws. The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in this 1991 General Waterworks Bond Ordinance or in any Series Ordinance or Supplemental Ordinance or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City.

723. Termination of Water Services to Delinquent Users. The City covenants and agrees that it shall, pursuant to the provisions of the Act and any other applicable provisions of law, to the maximum extent authorized by law enforce and collect the schedule of rates, rentals and charges imposed upon users of the System, and will promptly cause water service to be discontinued to any premises where such City bill for such facilities and services shall not be paid in full.

724. Extension of Payment of Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest, or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the 1991 General Waterworks Bond Ordinance to the benefit of the 1991 General Waterworks Bond Ordinance or to any payment out of any assets of the City or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the 1991 General Waterworks Bond Ordinance) held by any Fiduciary except subject to the prior payment of the principal of all Bonds issued and Outstanding, the maturity of which has occurred and has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the City to issue bonds as provided in this General Waterworks Bond Ordinance, and such issuance shall not be deemed to constitute an extension of the maturity of any Bond or of the time of payment of any claim for interest.

725. Statutory Mortgage Lien. For the further protection of the holders of the Bonds authorized to be issued by this 1991 General Waterworks Bond Ordinance, a statutory mortgage lien upon all properties constituting the System and extensions thereof and belonging thereto is granted and created by Chapter 58 and Section 96.400 of the Kentucky Revised Statutes, which said mortgage lien is hereby recognized and declared to be valid and binding upon the City and all property constituting the System as provided by law, and shall take effect immediately upon the delivery of any Bonds authorized to be issued under the provisions of this 1991 General Waterworks Bond Ordinance.

726. Parity Bond Provisions Adopted. From and after the issuance and delivery of any of the Bonds authorized or permitted to be issued by this 1991 General Waterworks Bond Ordinance, said 1991 General Waterworks Bond Ordinance shall

constitute the sole and exclusive method for the issuance of any Waterworks Revenue Bonds by the City, and any further Series of Bonds of the City payable from the Pledged Receipts shall be authorized and issued solely pursuant to authority of this 1991 General Waterworks Bond Ordinance.

The Bonds authorized to be issued by this 1991 General Waterworks Bond Ordinance and from time to time outstanding, together with any additional Bonds ranking on a parity therewith issued under the conditions and restrictions of this section, shall not be entitled to priority one over the other in the application of the Pledged Receipts or the security for payment thereof, regardless of the time or times of their issuance it being the intention that there shall be no priority among such Bonds regardless of the fact that they may be actually issued and delivered at different times.

Said City hereby reserves the right and privilege of issuing additional Series of Bonds from time to time payable from the Pledged Receipts of the System on a basis of parity and equality with all other parity Bonds authorized to be issued by this 1991 General Waterworks Bond Ordinance in order to (a) reconstruct, repair and improve the System; (b) make, acquire, construct and install additions, extensions, betterments, or improvements thereto; (c) acquire existing waterworks and water distribution systems from any person, if said waterworks and water distribution systems are revenue-producing; and (d) refund any bonds outstanding, provided in each instance that:

(i) the facility or facilities to be acquired, constructed, reconstructed or improved from the proceeds of the additional parity Bonds is or are made an integral part of the System and its or their income and revenues are pledged as additional security for the additional parity Bonds and the outstanding Bonds;

(ii) the City is in compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the Pledged Receipts; and

(iii) the net annual income and revenues of the System for a period of twelve (12) consecutive months of the fifteen (15) months immediately prior to the issuance of said parity Bonds, are certified in writing by an independent firm of state-licensed Certified Public Accountants (subject to adjustments as hereinafter provided) to have been equal to at least one and twenty-five hundredths (1.25) times the

maximum Annual Debt Service Requirement coming due in any future Bond Fiscal Year on all Bonds outstanding payable from Pledged Receipts, together with the parity Bonds then to be issued.

The words "net annual income and revenues" as used in this Section are defined as Pledged Receipts, less Operation and Maintenance Costs for the same period, which shall include salaries, wages, costs of maintenance and operation, materials and supplies, administration and insurance and all other items that are normally and regularly so included under generally accepted accounting principles, but shall exclude depreciation and interest and Principal Installments payable with respect to any Bonds or any subordinated debt.

With reference to the requirements of subparagraph (iii) of this Section 726, the amount of Pledged Receipts, and the "net annual income and revenues" of the Water System as that term is herein defined, may be adjusted in writing by a firm of independent state-licensed Certified Public Accountants, which firm shall be the firm performing the certification required by subparagraph (iii) of this Section 726, to reflect and take into account for the historical period being tested, any revision in the schedule of water rates, rentals and charges either (i) being actually imposed and billed by the City at the time of issuance of such additional parity Bonds, and, (ii) where bonds are refunded, the additional available "net income and revenues" of the System released as a result thereof.

The amount of Pledged Receipts and the "net annual income and revenues" of the System, as that term is herein defined, may also be adjusted in writing by a Consulting Engineer of National Recognition, to take into account and reflect for the historical period being tested, the amount of additional net income and revenues to be realized by the Company by virtue of the acquisition by the Company of existing and operating waterworks and water distribution facilities. A further adjustment may be made by adding thereto an estimate of said engineer of the increase in operating revenues anticipated to be derived from the additions, extensions, replacements and betterments to be financed by the additional bonds then being authorized, for the first twelve months following issuance of said bonds, less said engineer's estimate of any additional expenses of operation and maintenance during said twelve months. Additionally, an adjustment thereunder may take into consideration revenues to be generated by virtue of contractual relationships between the Company or the City and other municipal corporations or other entities, either governmental or private, which contracts must extend for the life of the

Bonds, where such income and revenues are historically determinable, for the period being tested, namely, 12 consecutive months of the 15 months immediately prior to issuance of parity bonds. Provided, however, that any such adjustment by such Consulting Engineer of National Recognition shall take into account only such income and revenues as would have been derived during the historical period being tested had the valid and lawful schedule of rates, rentals and charges of the Company or the City which is in effect at the time of issuance of parity Bonds been charged during such historical period being tested, and such adjustments shall also take into account all Operations and Maintenance Costs for such historical period being tested.

The City hereby covenants and agrees that in the event additional Series of parity Bonds are issued, it shall:

(a) adjust the monthly deposits into the Debt Service Fund on the basis prescribed in the 1991 General Waterworks Bond Ordinance to reflect the Annual Debt Service on the additional parity Bonds; and

(b) adjust the prescribed amount to be accumulated in the Debt Service Reserve in accordance with the provisions of the 1991 General Waterworks Bond Ordinance (the "Aggregate Debt Service Reserve Requirement"), and fund from such parity Bonds said additional Debt Service Reserve Requirement pursuant to the prescribed formula.

The additional parity Bonds (sometimes herein referred to as "permitted" to be issued) the issuance of which is herein conditioned and restricted, shall be understood to mean Bonds payable from the Pledged Receipts on a basis of parity and equality with the Bonds initially issued pursuant to the 1991 General Waterworks Bond Ordinance, and shall not be construed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the Bonds herein authorized to be issued. The City expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged and not ranking on a basis of equality and parity with the Bonds and parity Bonds herein otherwise described, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions, betterments, extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the said Bonds and parity Bonds herein authorized and permitted to be issued. In the event any of such subordinate lien securities are

issued, the City reserves the right to authorize and issue subordinated bonds to refund same, pursuant to the terms and conditions of this Section 726.

Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized Bonds and/or of any Bonds which may be issued and are outstanding under any of the provisions of the 1991 General Waterworks Bond Ordinance if such refunding does not operate to increase amortization requirements in any year to and including the final maturity of Bonds outstanding and not to be refunded, if any.

ARTICLE VIII

SERIES ORDINANCE AND SUPPLEMENTAL ORDINANCES

801. Modification and Amendment Without Consent.

Notwithstanding any other provision of this Article VIII, or Article IX, the City may adopt at any time or from time to time Series Ordinances or Supplemental Ordinances for any one or more of the following purposes:

(1) To add additional covenants and agreements of the City for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the City contained in this 1991 General Waterworks Bond Ordinance;

(2) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the City which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(3) To surrender any right, power or privilege reserved to or conferred upon the City by the terms of this 1991 General Waterworks Bond Ordinance, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in this 1991 General Waterworks Bond Ordinance;

(4) To confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of this 1991 General Waterworks Bond Ordinance;

(5) To modify any of the provisions of this 1991 General Waterworks Bond Ordinance or any Series Ordinance in any other respects, provided that such modifications shall not

be effective until after all Bonds of any Series of Bonds Outstanding as of the date of execution and delivery of such Supplemental Ordinance shall cease to be Outstanding, and all Bonds issued under such Series Ordinances shall contain a specific reference to the modifications contained in such subsequent Series Ordinances;

(6) To cure any ambiguity or defect or inconsistent provision in this 1991 General Waterworks Bond Ordinance or to insert such provisions clarifying matters or questions arising under this 1991 General Waterworks Bond Ordinance or any Series Ordinance as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with this 1991 General Waterworks Bond Ordinance or any Series Ordinance as theretofore in effect; or

(7) For any other purpose provided that any such amendment or modification does not materially adversely affect the rights of Bondholders affected hereby.

802. Supplemental Ordinance Effective With Consent of Bondholders. The provisions of this 1991 General Waterworks Bond Ordinance may also be modified or amended at any time or from time to time by a Supplemental Ordinance, subject to the consent of Bondholders, in accordance with and subject to the provisions of Article IX hereof, such Supplemental Ordinance to become effective upon the obtaining of consent of the requisite percentages of Bondholders and the filing in the City's official records of a copy thereof certified by the City Clerk.

803. General Provisions Relating to Series Ordinances and Supplemental Ordinances. This 1991 General Waterworks Bond Ordinance shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Article VIII and Article IX. Nothing contained in this Article VIII or Article IX shall affect or limit the rights or obligations of the City to adopt, make, do, execute or deliver any ordinance, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the City to execute and deliver to any Fiduciary any instrument elsewhere in this 1991 General Waterworks Bond Ordinance provided or permitted to be delivered to any such Fiduciary.

A copy of every Series Ordinance and Supplemental Ordinance adopted by the City when filed with the City's official records shall be accompanied by a Counsel's Opinion stating that such Series Ordinance or Supplemental Ordinance has been duly and lawfully adopted in accordance with the provisions of this 1991 General Waterworks Bond Ordinance, is authorized or permitted by this 1991 General Waterworks Bond

Ordinance and is valid and binding upon the City and enforceable in accordance with its terms.

No Series Ordinance or Supplemental Ordinance changing, amending or modifying any of the rights or obligations of any Fiduciary may be adopted by the City without the written consent of the Fiduciary affected thereby.

ARTICLE IX

1991 GENERAL WATERWORKS BOND ORDINANCE - FURTHER PROVISIONS

901. Modification or Amendment. Any modification or amendment of this 1991 General Waterworks Bond Ordinance and of the rights and obligations of the City and of the Holders of the Bonds hereunder, in any particular, may be made by a Supplemental Ordinance, with the written consent given as hereinafter provided in Section 902, (1) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given (2) in cases where less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (3) in case the modification or amendment changes the amount or date of any Sinking Fund Installment of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; and provided, further, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this 1991 General Waterworks Bond Ordinance if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series.

The City may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be adversely affected by any modification or amendment of this 1991 General Waterworks Bond Ordinance and any such determination shall be binding and conclusive on the City and all Holders of Bonds. The City may receive an opinion of Counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of this 1991 General Waterworks Bond Ordinance.

902. Consent of Bondholders. The City may at any time adopt a Supplemental Ordinance making a modification or amendment permitted by the provisions of Section 901 to take effect when and as provided in this Section. A copy of such Supplemental Ordinance (or brief summary thereof or reference thereto) together with a request to Bondholders for their consent thereto, shall promptly after adoption be mailed by the City to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Ordinance when consented to as in this Section provided). Such Supplemental Ordinance shall not be effective unless and until (1) there shall have been filed with the City (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 901 and (b) a Counsel's Opinion stating that such Supplemental Ordinance has been duly and lawfully adopted by the City in accordance with the provisions of this 1991 General Waterworks Bond Ordinance, is authorized or permitted by this 1991 General Waterworks Bond Ordinance, and is valid and binding upon the City and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the City, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the City to the effect that no revocation thereof is on file with the City. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Ordinance, the City shall make and file (a) in the official records of the City, accompanied by a Counsel's Opinion, as to the quality thereof,

and (b) with each Fiduciary a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been filed. At any time thereafter, notice, stating in substance that the Supplemental Ordinance (which may be referred to as a Supplemental Ordinance adopted by the City on a stated date) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to Bondholders by the City by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Ordinance from becoming effective and binding as in this Section provided) not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Ordinance and the written statements of the Trustee hereinabove provided for are filed. Such Supplemental Ordinance making such amendment or modification shall be deemed conclusively binding upon the City, each Fiduciary and the Holders of all Bonds at the expiration of thirty (30) days after mailing such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Ordinance in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the City during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Ordinance as it may deem expedient.

903. Mailing. Any provision in this Article for the mailing of a notice or other document to Bondholders shall be fully complied with if it is mailed postage prepaid to each registered owner of Bonds then Outstanding at his address appearing upon the registry books of the Registrar.

904. Modifications by Unanimous Action. Notwithstanding anything contained in Article VIII or in the foregoing provisions of this Article IX, the rights and obligations of the City and of the Holders of the Bonds and the terms and provisions of the Bonds or of this 1991 General Waterworks Bond Ordinance may be modified or amended in any respect upon the adoption of a Supplemental Ordinance by the City and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 902 except that no notice to Bondholders by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto in addition to the consent of the City and of the Bondholders.

905. Exclusion of Bonds. Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Ordinance, and the City shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Ordinance.

906. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article VIII or this Article IX provided may bear a notation by endorsement or otherwise in form approved by the City as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and upon presentation of his Bond for such purpose at the principal office of any Paying Agent, suitable notation shall be made on such Bond by such Paying Agent as to any such action. If the City shall so determine, new Bonds so modified as in the opinion of the City to conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds appertaining thereto.

907. Contracts or Indentures. The City, in so far as authorized by law, may and if requested by any Fiduciary shall, enter into a contract or an indenture with any Fiduciary giving effect to any modification or amendment of the Bonds or of the 1991 General Waterworks Bond Ordinance as hereinabove in this Article IX provided.

ARTICLE X

DEFAULTS AND REMEDIES

1001. Events of Defaults. Each of the following events is hereby declared as "Event of Default," that is to say if:

(1) the City shall default in the payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(2) payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due; or

(3) the City shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or

conditions on its part contained in this 1991 General Waterworks Bond Ordinance, any Series Ordinance, any Supplemental Ordinance or the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Holders of not less than five percentum (5%) in principal amount of the Outstanding Bonds.

1002. Remedies. (1) Upon the happening and continuance of any Event of Default, the Holders of not less than twenty-five percentum (25%) in principal amount of the Outstanding Bonds, may proceed, in their own name, subject to the provisions of this Section 1002, to protect and enforce the rights of the Bondholders by such of the following remedies, as such Bondholders, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including (subject to regulatory requirements) the right to require the City to adopt, enforce, collect and receive water rates, rentals and charges adequate to carry out the covenants and agreements of the City in respect of production of minimum Revenues and to require the City to carry out any and all other covenants or agreements with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, require the City to account as if it were the trustee of an express trust for the Holders of the Bonds;

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds;

(e) by action or suit in equity, seek the appointment of a receiver who shall take charge of and administer the affairs of the City;

(f) by declaring all Bonds due and payable, and if all defaults shall be made good (excepting that in respect of acceleration of maturities), then, with the written consent of the Holders of not less than twenty-five percentum (25%) in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(g) in the event that all Bonds are declared due and payable and a receiver is appointed, by selling Investment

Obligations and all other assets of the Company (to the extent not theretofore set aside for redemption of Bonds for which call has been made), and by the taking over by the receiver of the System, and operating same as an adequate revenue-generating operation to the fullest legal extent in the name of the City for the use and benefit of the Holders of Bonds;

(2) In the enforcement of any rights and remedies under this 1991 General Waterworks Bond Ordinance, the Bondholders shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City for principal, Redemption Price, interest or otherwise, under any provision of this 1991 General Waterworks Bond Ordinance or a Series Ordinance or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Bondholders, and to recover and enforce a judgment or decree against the City for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purposes, in any manner provided by law, the moneys adjudged or decreed to be payable.

1003. Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default, the funds held by the Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the City of the Company acting pursuant to the Act and this Article X, after making provision for the payment of any expenses necessary in the opinion of the City to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by any Registrar and any Paying Agents in the performance of their respective duties under this 1991 General Waterworks Bond Ordinance, shall be applied, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable..

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on

such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by a call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, and such declaration shall not have been annulled, then, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of, interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the City pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purposes, shall constitute proper application, and the representative Bondholders or receiver shall incur no liability whatsoever, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the representative Bondholders or receivers act with reasonable diligence, having due regard for the circumstances, and ultimately apply the same in accordance with such provisions of this 1991 General Waterworks Bond Ordinance as may be applicable at the time of application. Wherever the representative Bondholders or the receiver shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the representative Bondholders or the receiver shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The representative Bondholders or the receiver shall give such notice as it may

deem appropriate for the fixing of any such date. The representative Bondholders or the receiver shall not be required to make payment to the Holder of any unpaid Bond unless such Bond shall be presented to the appropriate Paying Agent for appropriate endorsement or for cancellation if fully paid.

1004. Termination of Proceedings. In case any proceedings taken on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the City and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Bondholders shall continue as though no such proceeding had been taken.

1005. Bondholders' Direction of Proceedings. Anything in this 1991 General Waterworks Bond Ordinance to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the City, to direct the method of conducting all remedial proceedings to be taken hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this 1991 General Waterworks Bond Ordinance.

1006. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

1007. No Waiver of Default. No delay or omission of the Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this 1991 General Waterworks Bond Ordinance to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

1008. Notice of Event of Default. The City shall cause the appropriate Registrar to give to the Bondholders notice of each Event of Default hereunder known to the City within sixty (60) days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of Event of Default shall be given by mailing written notice thereof: (1) to all registered Holders of Bonds, as the name

and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Registrar; (2) to such other Bondholders as have filed their names and addresses with the City or Paying Agent for that purpose; and (3) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

1101. Appointment and Acceptance of Duties of Paying Agents and Registrars. The City may appoint one or more Paying Agents and one or more Registrars (who may be a Paying Agent) for the Bonds of any Series in the Series Ordinance authorizing such Bonds or may appoint such Paying Agent or Paying Agents and such Registrar or Registrars by ordinance of the City adopted prior to the authentication and delivery of such Bonds, and may at any time or from time to time appoint one or more other Paying Agents or one or more other Registrars in the manner and subject to the conditions set forth in Section 1107 for the appointment of a Successor Paying Agent or Registrar.

Each Paying Agent or Registrar shall signify its acceptance of the duties and obligations imposed upon it by this 1991 General Waterworks Bond Ordinance by written instrument of acceptance executed and delivered to the City.

The principal offices of the Paying Agents are hereby designated as the respective agencies of the City for the payment of the interest on and principal or Redemption Price of the Bonds.

The City shall enter into an agreement for paying agent and for registrar for each issue of Series Bonds.

1102. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the City and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this 1991 General Waterworks Bond Ordinance or of any Bonds issued thereunder or in respect of the security afforded by this 1991 General Waterworks Bond Ordinance, and no Fiduciary shall incur any responsibility in respect thereof. Each Registrar shall, however, be responsible for its representation contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the City. No Fiduciary shall be under any responsibility or duty

with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the other Fiduciaries.

1103. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, ordinance, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Mayor and the City Clerk, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this 1991 General Waterworks Bond Ordinance upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidences as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the City to any Fiduciary shall be sufficiently executed if executed in the name of the City by the Mayor and City Clerk.

1104. Compensation. The City shall pay to each Paying Agent, Registrar and other Fiduciary from time to time reasonable compensation for all services rendered under this 1991 General Waterworks Bond Ordinance, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this 1991 General Waterworks Bond Ordinance. The City further agrees to indemnify each Paying Agent, Registrar and other Fiduciary harmless against any liabilities which it

may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

1105. Permitted Acts and Functions. Each Paying Agent, Registrar and any other Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not such Paying Agent, Registrar or other Fiduciary. Each Paying Agent, Registrar and any other Fiduciary may act as Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this 1991 General Waterworks Bond Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

1106. Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all of substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 1110 or Section 1113 and shall be authorized by law to perform all the duties imposed upon it by this 1991 General Waterworks Bond Ordinance, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

1107. Resignation or Removal of the Paying Agents, Registrars and other Fiduciaries and Appointment of Successors. Any Paying Agent, Registrar or other Fiduciary may at any time resign and be discharged of the duties and obligations created by this 1991 General Waterworks Bond Ordinance by giving at least sixty (60) days' written notice to the City; provided, however, that no resignation shall be effective until the appointment of a successor Payment Agent, Registrar or Fiduciary. Any Paying Agent, Registrar or other Fiduciary may be removed at any time by an instrument filed with such Paying Agent, Registrar or other Fiduciary and signed by the Mayor and Clerk of the City. Any successor Paying Agent, Registrar or other Fiduciary shall be appointed by the City and (subject to the requirements of Section 703) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least Twenty-Five Million Dollars (\$25,000,000), and willing and able to accept

the office of Paying Agent or Registrar on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this 1991 General Waterworks Bond Ordinance.

In the event of the resignation or removal of any Paying Agent, Registrar or other Fiduciary, such Paying Agent, Registrar or other Fiduciary shall pay over, assign and deliver any moneys held by it to its successor, if there be no successor then appointed, to the City until such successor be appointed.

ARTICLE XII

MISCELLANEOUS

1201. Defeasance. (1) If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds, if any, all of the principal and Interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this 1991 General Waterworks Bond Ordinance, then and in that event the 1991 General Waterworks Bond Ordinance shall cease, determine, and become null and void, and the covenants, agreements and other obligations of the City hereunder shall be satisfied and discharged, and in such event, the City shall execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the City all moneys or securities held by them pursuant to the 1991 General Waterworks Bond Ordinance which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(2) Bonds or interest installments, the payment or redemption of which moneys shall have been set aside and which shall be held in trust by Fiduciaries (through deposit by the City of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section. All Outstanding Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section if there shall have been deposited with the Paying Agents either moneys in an amount which shall be sufficient, or Investment Obligations as described in (a) of the definition of Investment Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on and

prior to the Redemption Date or maturity date thereof, as the case may be. Neither Investment Obligations nor moneys deposited with the Paying Agents pursuant to this Section nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Obligations deposited with the Paying Agent if not then needed for such purposes, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and shall be paid over to the City, following full discharge and payment of such Bonds free and clear of any trust, lien or pledge.

(3) If, through the deposit of moneys by the City or otherwise, the Fiduciaries shall hold, pursuant to this 1991 General Waterworks Bond Ordinance, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which the City shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of the City all moneys held by and Paying Agent shall be paid over to the City, and together with other moneys held by it hereunder, shall be held by the City for the payment or redemption of Outstanding Bonds.

(4) Anything in this 1991 General Waterworks Bond Ordinance to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged; provided, however, that before being required to make any such payment to the City, the Fiduciary shall mail a notice to the registered Holder that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) nor more than forty-five (45) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the City.

1202. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent or other instrument which this 1991 General Waterworks Bond Ordinance may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their authorized attorneys: Proof of (1) the execution of any such instruments, or of an instrument appointing any such attorney, or (2) the holding by any person of the Bonds, shall be sufficient for any purpose of the 1991 General Waterworks Bond Ordinance (except as otherwise expressly provided) if made in the following manner, but the City may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the City or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary,

(b) The amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, executed by an officer of a trust company, bank, financial institution or other depository or member of the National Association of Securities Dealers, Inc., wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depository the Bonds described in such certificate. Continued ownership after the date stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by such officer that the depository held the Bonds therein referred to on the date of the certificate and that they will not be surrendered without the surrender of the certificate to the depository, except with the consent of the City, and a certificate of the City, which

need not be acknowledged or verified, that such consent has not been given.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the City or any Fiduciary in accordance therewith.

1203. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this 1991 General Waterworks Bond Ordinance or any supplemental General Waterworks Bond Ordinance or Series Ordinance shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

1204. Parties in Interest. Nothing in this 1991 General Waterworks Bond Ordinance or in any Series Ordinance adopted pursuant to the provisions hereof, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or party other than the City, Paying Agents, Registrars and the Holders of the Bonds, any rights, remedies or claims under or by reason of this 1991 General Waterworks Bond Ordinance or any Series Ordinance or any covenants, conditions or stipulations thereof; and all covenants, stipulations, promises and agreements in this 1991 General Waterworks Bond Ordinance and any Series Ordinance contained by or on behalf of the City shall be for the sole and exclusive benefit of the City, Paying Agents, Registrars and the Holders from time to time of the Bonds.

1205. No Recourse Under 1991 General Waterworks Bond Ordinance or on Bonds. All covenants, stipulations, promises, agreements and obligations of the City contained in this 1991 General Waterworks Bond Ordinance shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any Council member, or other City official or employee of the City in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this 1991 General Waterworks Bond Ordinance against any Council member, or other City official or employee of the City or any natural person executing the Bonds.

1206. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this 1991 General Waterworks Bond Ordinance on the

part of the City or any Paying Agent or any Registrar to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this 1991 General Waterworks Bond Ordinance.

1207. Headings. Any headings preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this General Waterworks Bond Ordinance, nor shall they affect its meaning, construction or effect.

1208. Conflict. All motions, resolutions and orders or parts of General Waterworks Bond Ordinances and ordinances, or other proceedings of the City in conflict herewith be and the same are repealed insofar as such conflict exists.

1209. Effective Date. This 1991 General Waterworks Bond Ordinance shall take effect upon its enactment and publication by title and summary, as provided by law.

Introduced and given first reading on August 12, 1991

Given second reading and enacted on August 28, 1991

Katherine M. Blandford
Mayor

Attest:

Joyce A. Ford
City Clerk

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
CITY OF LEBANON, KENTUCKY
WATERWORKS REVENUE BOND, SERIES _____

No. \$ _____
RATE: _____ % DATE OF ORIGINAL ISSUE: _____
MATURITY DATE: February 1, _____ CUSIP _____
REGISTERED HOLDER:
PRINCIPAL AMOUNT: _____ DOLLARS

KNOW ALL MEN BY THESE PRESENTS, that the City of Lebanon, Kentucky (the "City"), acting by and through its City Council (the "City Council"), for value received, hereby acknowledges itself obligated to, and promises to pay to the registered holder identified above, or registered assigns, solely from the limited sources hereinafter described, the principal sum identified above (or, if any part thereof has been paid the balance thereof remaining unpaid), on the maturity date specified above, and to pay interest on said principal sum (or, if any part thereof has been paid, the balance thereof remaining unpaid) from the date hereof at the rate of interest per annum identified above, payable semiannually on the first days of April and October in each year until paid, commencing October 1, 199_, except as the provisions hereinafter set forth with respect to prior redemption may be and become applicable hereto. This bond will bear interest from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of original issuance hereof. The principal and interest of this bond are payable, without deduction for exchange, collection, or service charges, in lawful money of the United States of America. Principal is payable at the principal office of _____, Kentucky, or any successor (the "Paying Agent" or "Registrar"). All interest on this bond shall be payable by check or draft mailed to the record date registered owner hereof at the address shown on the registration records kept by the Registrar. The record dates for April 1 and October 1

extensions and appurtenances thereto, is created and granted to and in favor of the registered owner or owners of this bond and the issue of which it forms a part and said properties shall remain subject to said statutory mortgage lien until the payment in full of the principal of and interest on this bond and the issue of which it forms a part.

This bond is exempt from taxation in the Commonwealth of Kentucky.

Said bonds are all issued under and are equally and ratably secured and entitled to the protection given by the 1991 General Waterworks Bond Ordinance, adopted _____, 1991 duly executed and delivered by the City and reference is hereby made to the 1991 General Waterworks Bond Ordinance for a more complete description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the City, the Paying Agents, the Registrars and the holders of said bonds and the terms and conditions upon which said bonds are issued and secured, to all of the provisions of which the 1991 General Waterworks Bond Ordinance, each holder, by the acceptance hereof, assents.

Said bonds are issuable as fully registered bonds in denominations of \$5,000 and any authorized multiple thereof. Said bonds are not callable for redemption prior to October 1, 199__. Bonds maturing on and after October 1, 199__, are subject to redemption by the City prior to maturity at any time on or after October 1, 199__, in whole or in part and in inverse order of their maturity (less than all of such bonds of a single maturity to be selected in such manner as the Registrar may determine), at a redemption price, equal to the following percentages of the principal amount redeemed plus accrued interest to the redemption date:

<u>Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
--	-------------------------

Bonds due October 1, _____ shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof on October 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
-------------	---------------	-------------	---------------

with the remaining \$ principal amount of such bonds payable at maturity.

Call for redemption shall be by registered mail only, addressed to the registered holder at the address shown on the records of the Registrar. Call for redemption having been given as aforesaid, the bonds or portions thereof so called for redemption shall become due and payable at the the applicable redemption price herein provided, and from and after the date so fixed for redemption, interest on the bonds, or portions thereof so called for redemption, shall cease to accrue and become payable.

The principal of, premium, if any, and interest on said bonds are payable solely and only from and such payment is secured by a pledge of the Pledged Receipts, as defined in the 1991 General Waterworks Bond Ordinance .to the extent and in the manner provided in the 1991 General Waterworks Bond Ordinance. There are further pledged for the payment of the principal on or redemption price, if any, and interest on the bonds, subject to the provisions of' the 1991 General Waterworks Bond Ordinance permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, (i) the proceeds of sale of the Bonds, except to the extent such proceeds may be applied to the payment of notes issued in anticipation of the sale of bonds, (ii) Investment Obligations as defined in the 1991 General Waterworks Bond Ordinance, and (iii) all Funds created and established pursuant to the 1991 General Waterworks Bond Ordinance, including Accounts thereof and moneys and securities therein.

This bond shall be registered as to principal and interest in the name of the holder thereof, after which it shall be transferable only upon presentation to the Registrar, with an assignment duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this bond and upon the books of the Registrar kept for that purpose.

The registered owners of said bonds shall not be entitled to enforce the provisions of the 1991 General Waterworks Bond Ordinance or to institute, appear in or defend any suit, action or proceeding at law or in equity to enforce any rights, remedies or covenants granted by the 1991 General

Waterworks Bond Ordinance, or to take any action with respect to any event of default under the 1991 General Waterworks Bond Ordinance, except as provided in the 1991 General Waterworks Bond Ordinance.

The 1991 General Waterworks Bond Ordinance contains provisions permitting the City and, in certain circumstances, the registered owners of not less than 66-2/3% in aggregate principal amount of bonds at the time outstanding, exclusive of any bonds then held or owned by the City, to adopt ordinances for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms and provisions of the 1991 General Waterworks Bond Ordinance; provided, however, that no such ordinance shall extend the maturity of, the principal of, or the interest on, any bond or reduce the principal of any bond, or the rate of interest or redemption premium thereon, without the consent of the registered owner of each bond so affected, or reduce the aggregate principal amount of bonds required for consent to such ordinance without the consent of the registered owners of all bonds then outstanding.

(Front of Bond)

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and Statutes of the Commonwealth of Kentucky and the 1991 General Waterworks Bond Ordinance and Series _____ Ordinance to exist, happen and be performed precedent to and in the issuance of this bond do exist, have happened and have been performed in the manner and form required by law, and that said City will cause to be continuously operated said waterworks and water distribution facilities constituting the City's System as a revenue-producing undertaking; that a schedule of rates, rentals and charges for the services and facilities rendered by the System will be fixed, revised, collected and accounted for at all times so as to produce aggregate revenues sufficient to pay promptly when due the interest on and principal of all bonds that may be outstanding from time to time and to also pay when due all costs and expenses of operating and maintaining said works and facilities and to create and maintain proper and adequate reserves for depreciation and for repair and replacement; that a sufficient amount of said revenues and income derived from collection of said rates, rentals and charges has been pledged to and will be set aside each year into a special account created for the purpose of paying the interest on this bond and all other bonds authorized or permitted to be issued by said 1991 General Waterworks Bond Ordinance, and redeeming and fully discharging all such Bonds at or prior to the maturity thereof, and that this bond, together with all other obligations of said City, does not exceed any limitation prescribed by law.

IN WITNESS WHEREOF said City of Lebanon, Kentucky, has caused this bond to be executed in its name by the reproduced facsimile signature of its Mayor and attested by its City Clerk, and a reproduced facsimile of its corporate seal to be hereunto affixed, and this bond to be dated the first day of _____, 199_.

CITY OF LEBANON, KENTUCKY

BY _____
Mayor

ATTEST:

City Clerk

(Seal of City)

Date of Registration and Authentication:

CERTIFICATE

This is to certify that this bond is one of the bonds described hereinabove.

_____, Kentucky,
Registrar

By _____
Authorized Signature

CERTIFICATE

It is hereby certified that the following is a correct and complete copy of the text of the legal opinion of Messrs. Peck, Shaffer & Williams, Attorneys, Covington, Kentucky, regarding the issue of which the within bond is one, the original of which opinion was manually executed, dated and issued as of the date of delivery of and payment for said issue and a copy of which is on file with the undersigned.

(facsimile)

City Clerk

The following opinion is premised on facts and law existing on the date of original delivery by the issuer of the bonds of this issue:

City of Lebanon, Kentucky

Gentlemen:

We have acted as bond counsel in connection with the authorization, sale and issuance by City of Lebanon, Kentucky (the "City") of \$ _____ principal amount of Waterworks Revenue Bonds, Series _____, dated December 1, 1987 (the "Series _____ Bonds").

The Series _____ Bonds have been authorized and issued pursuant to Chapter 58 and Sections 96.320 to 96.510, inclusive, of the Kentucky Revised Statutes (collectively, the "Act"), a certain 1991 General Waterworks Bond Ordinance adopted by the City on _____, 1991, (the "Ordinance") and a certain Series Ordinance authorizing the Series _____ Bonds adopted on _____, 19__ (the "Series Ordinance"). Pursuant to the Ordinance and the Series Ordinance, the City has authorized the issuance of the Series _____ Bonds for the purpose of financing certain improvements to the System, as defined in the Ordinance, and for paying the costs of issuance of the Series _____ Bonds.

We have examined such portions of the Constitution and Statutes of the United States, the Constitution and Statutes of the Commonwealth of Kentucky, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined recordsX and the transcript of proceedings relating to the authorization and issuance of the Series _____ Bonds, including executed Bond No. R-1, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the City as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Series _____ Bonds have been duly authorized, executed and issued by the City in accordance with the Constitution and Statutes of the Commonwealth, including the Act, and in accordance with the Ordinance and the Series Ordinance, and constitute valid and binding special obligations of the City, payable as to principal, interest, and premium, if any, from and secured by a pledge of (i) the Pledged Receipts, as defined in the Ordinance, (ii) the proceeds of the sale of the Series 1992 Bonds, (iii) Investment Obligations, as defined in the Ordinance, (iv) all funds established by the Ordinance, including accounts thereof and monies and securities therein, subject only to the provisions of the Ordinance permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Ordinance and (v) a statutory mortgage lien on all properties constituting the System and all extensions and appurtenances thereto, as provided by Section 96.400 of the Kentucky Revised Statutes and as more specifically described in the Ordinance.
2. Neither the faith and credit nor the taxing power of the Commonwealth, or any political subdivision thereof, nor the faith and credit of the City is pledged to the payment of the principal of or interest on the Series _____ Bonds, or to the payment of premium, if any.
3. Interest on the Series _____ Bonds is exempt from income taxation by the Commonwealth of Kentucky, and the Series _____ Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.
4. Interest payable on the Series _____ Bonds is excludable from gross income for Federal income

tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series _____ Bonds will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. However, under the Code, interest on the Bonds will have to be included in the "adjusted current earnings" of certain corporations, and such corporations would be required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for alternative tax net operating losses) for purposes of determining such corporations' liability for the alternative minimum tax. The City as covenanted to comply with the applicable provisions of the Code, and such compliance by the City is necessary, to maintain the Federal income tax status described above. We express no opinion regarding other federal tax consequences arising with respect to the Series _____ Bonds.

5. The Commission has designated the Series _____ Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

Our opinion set forth above is subject to the qualification that the enforceability of the Ordinance, the Bonds and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights or by general equitable principles.

The Series _____ Bonds are special and limited obligations of the City, payable solely and only from the revenues provided for by the Ordinance. The Bonds do not pledge the general credit or taxing power, if any, of the City, the Commonwealth or any other agency or political subdivision of the Commonwealth.

PECK, SHAFFER & WILLIAMS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT Custodian	
TEN ENT	- as tenants by the entireties	(Cust)	(Minor)
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	under Uniform Gift to Minors, Act	(State)

Additional Abbreviations may also be used though not in the above list.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto

Please insert Social Security or other identifying number of assignee.

(Name and address of assignee)
_____ the within Bond and does hereby irrevocably
constitute _____

_____ attorney to transfer said Bond on the books kept for registration of said Bond, with full power of substitution in the premises.

Dated: _____

(Signature Guarantee)

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