

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ESTILL)	
COUNTY WATER DISTRICT NO. 1 FOR)	
AUTHORIZATION TO CONSOLIDATE ITS)	CASE NO. 2018-00276
EXISTING LOANS WITH CITIZENS)	
GUARANTY BANK)	

APPLICATION

Pursuant to KRS 278.300 and 807 KAR 5:001, Estill County Water District No. 1 (“Estill District”) applies to the Public Service Commission (“Commission”) for an Order authorizing Estill District to consolidate four existing loans with Citizens Guaranty Bank of Irvine, Kentucky (“Citizens Guaranty Bank”), totaling approximately \$238,712, and to issue a promissory note reflecting the consolidation of these loans that is payable over a longer term and at a lower rate of interest.

The proposed consolidation of the Citizens Guaranty Bank loans is an essential element of a plan to reamortize the principal of and interest on revenue bonds that Estill District has issued to the United States Department of Agriculture, acting through Rural Development (“RD”), to readjust those bonds’ interest rates, and to reschedule their payment. The outstanding principal and interest on these bonds is approximately \$4.066 million. Estill District is currently delinquent on the payment of these bonds’ principal and interest. The proposed plan permits Estill District to avoid the appointment of a receiver to control and manage Estill District’s assets.

In support of its Application,¹ Estill District provides the following:

Background

1. The full name and post office address of Estill District is: Estill County Water District No. 1, 76 Cedar Grove Road, Irvine, Kentucky 40336. Its e-mail address is: a.miller@estillcountywater.com.

2. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

Audrea Miller
Office Manager
76 Cedar Grove Road
Irvine, Kentucky 40336
(606) 723-3795
a.miller@estillcountywater.com²

3. Estill District is not a corporation, limited liability company or limited partnership. It has no articles of incorporation or partnership agreements.

4. Estill District is a water district created under the provisions of KRS Chapter 74.

5. As of December 31, 2017, Estill District provides retail water service to approximately 3,763 customers in Estill County, Kentucky.³ Estill District does not produce its own water, but purchases its total water requirements from Irvine Municipal Utilities and Jackson County Water Association.

6. On August 30, 2018, Estill District's Board of Commissioners enacted a resolution directing Estill District to apply to Public Service Commission for authorization to

¹ To facilitate the Public Service Commission's initial review of this Application, Estill District has attached to this Application a "Filings Requirements List" that consists of two pages, lists each statutory and regulatory requirement for an application for authorization to issue evidence of indebtedness, and identifies the exhibit or paragraph that satisfies the requirement.

² On July 17, 2018 pursuant to 807 KAR 5:001, Section 8, Estill District notified the Public Service Commission of its election of the use of electronic filing procedures for this proceeding.

³ *Annual Report of Estill County Water District No. 1 to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2017* ("2017 Annual Report") at Ref Page 27.

consolidate and restructure its existing loans with Citizens Guaranty Bank and to issue a promissory note reflecting the consolidation of these loans. A copy of this resolution is attached as **Exhibit 1**.

7. This application is supported by the verified written testimony of Daniel Blain Click, Chairman of Estill District’s Board of Commissioners, and Anthony Hollinsworth, Program Director for RD’s Water and Waste Disposal Loan and Grant Program and Community Facilities Programs in Kentucky. Their testimonies are attached as **Exhibits 2 and 3** to this Application.

Estill District’s Present Financial Condition

8. Estill District is in poor financial condition. It has experienced a negative net income each year since 2010. Between 2010 and 2017, it had a cumulative net income of (\$3,208,375). Its financial problems stem from a high rate of unaccounted-for water loss. As shown in Table 1 below, for each year since 2010 Estill District has been unable to account for 23 percent or more of its total purchased water. Since 2014, it has experienced an unaccounted water rate in excess of 35 percent. For every three gallons of water purchased since 2014, Estill District has recorded sales of less than two gallons of water.

TABLE 1	
Year	Unaccounted-For Water Loss (%)
2010	25.8524
2011	27.4459
2012	23.6125
2013	32.0143
2014	36.4580
2015	35.4295
2016	35.2625
2017	37.6515

9. As of December 31, 2018, Estill District will have outstanding evidences of indebtedness in the amount of \$4,161,015.⁴

a. **RD Loans.** Approximately \$3,888,600 of this amount represents six outstanding loans with RD. Table 2 lists each of these loans, the date of its issuance, its maturity date, its original loan amount, interest rate, principal balance as of December 31, 2018, the interest owed as of December 31, 2018, and the date of the most recent payment. The amortization schedules for these loans are attached as **Exhibit 4** to this Application. The proceeds of each loan financed the construction of a waterworks project. The Commission authorized Estill District’s entry into each loan.⁵

TABLE 2							
Loan No.	Issuance Date	Maturity Date	Initial Amount	Interest Rate	Principal Remaining (12/31/2018)	Delinquent Interest	Last Payment
91-07	09/03/1992	02/01/2032	\$ 521,000	5.000%	\$ 303,000	\$21,406.89	08/01/2017
91-09	09/03/1992	02/01/2032	\$ 101,000	5.000%	\$ 59,600	\$ 4,208.84	08/01/2017
91-10	01/30/1997	02/01/2036	\$ 505,000	4.500%	\$ 352,000	\$22,371.41	08/01/2017
91-13	03/10/2000	02/01/2039	\$ 975,000	4.500%	\$ 744,000	\$47,465.16	08/01/2017
91-16	12/22/2006	08/01/2046	\$ 945,000	4.125%	\$ 815,000	\$47,480.86	08/01/2017
91-19	07/10/2014	08/01/2053	\$1,699,000	2.375%	\$1,615,000	\$35,159.37	02/01/2018

b. **Kentucky Rural Water Finance Corporation (“KRWFC”) Loan.**

Approximately \$34,000 of this amount represents the remaining balance of a loan of \$230,000

⁴ This amount represents unpaid principal only.

⁵ *The Application of Estill County Water District No. 1 of Estill County, Kentucky For a Certificate of Public Convenience and Necessity, To Construct, Finance And Increase Rates, Case No. 91-380 (Ky. PSC Nov. 21, 1992) (Loans No. 91-07 and No. 91-09); The Application of Estill County Water District No. 1 of Estill County, Kentucky For A Certificate of Public Convenience and Necessity To Construct and Finance Pursuant To the Provisions of KRS 278.023, Case No. 96-319 (Ky. PSC July 19, 1996) (Loan No. 91-10); The Application of Estill County Water District No. 1 of Estill County, Kentucky For a Certificate of Public Convenience and Necessity To Construct and Finance Pursuant To the Provisions of KRS 278.023, Case No. 99-404 (Ky. PSC Oct. 22, 1999) (Loan No. 91-13); The Application of Estill County Water District No. 1 of Estill County, Kentucky For a Certificate of Public Convenience and Necessity To Construct, Finance, and Increase Rates Pursuant To KRS 278.023, Case No. 2006-00308 (Ky. PSC July 18, 2006) (Loan No. 91-16); Application of Estill County Water District No. 1 of Estill County, Kentucky For a Certificate of Public Convenience and Necessity To Construct, Finance, and Increase Rates Pursuant To KRS 278.023, Case No. 2013-00339 (Ky. PSC Oct. 3, 2013) (Loan No. 91-19).*

that Estill District obtained from KRWFC in 2002 to refund its 1984 Bond Series.⁶ The remaining portion of this loan has an effective variable interest rate of 4.85 to 4.9 percent per annum. Estill District is scheduled to complete repayment of the loan in July 2020. The amortization schedule for this loan is set forth in **Exhibit 5** to this Application.

c. **Citizens Guaranty Bank Notes.** Approximately \$238,415 of this amount represents five promissory notes issued to Citizens Guaranty Bank between 2013 and 2018. Table 3 lists each note, the date of issuance, maturity date, the principal amount, interest rate, and the remaining principal amount as of December 31, 2018. A copy of each promissory note and its amortization schedule is found at **Exhibit 6** to this Application. The first three notes were for a term of four years. Their proceeds were used to meet operating expenses and debt service payments. The first of these notes, Note No. 88196, matured on October 30, 2017 and required a balloon payment of \$110,254.22. Unable to make this payment, Estill District issued a two-year promissory note (Note No. R88196) for this amount. Note No. 37095 was issued in February 2018 to finance the acquisition of a service vehicle and has a term of two years.

Note Number	Issuance Date	Maturity Date	Initial Amount	Interest Rate	Principal Remaining (12/31/2018)	Balloon Payment at Maturity
88196*	10/31/2013	10/30/2017	\$ 200,305	3.85%	\$ 0.00	\$110,254.22
03387	01/29/2015	01/28/2019	\$ 100,305	3.85%	\$55,030.22	\$ 55,210.16
24597	01/24/2017	02/10/2021	\$ 110,330	4.10%	\$88,293.54	\$ 61,136.91
R88196	10/31/2017	10/30/2019	\$ 110,254	3.85%	\$79,821.46	\$ 59,720.74
37095	02/22/2018	03/08/2020	\$ 18,453	4.50%	\$15,269.47	\$ 10,079.76
Total As of 12/31/2018					\$238,414.69	\$186,147.57
*Balloon Payment rolled into Note No. R88196						

⁶ *The Application of Estill County Water District No. 1 to Issue Securities in the Approximate Principal Amount of \$230,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001, Case No. 2002-00268 (Ky. PSC July 25, 2002).*

Inability to Make Scheduled Payments on RD Loans

10. For each of the loans listed in Table 1, Estill District issued revenue bonds to RD (or to its predecessor, the Farmers Home Administration) to evidence the loans. For each bond issuance, Estill District adopted an ordinance that authorized the issuance and pledged the water district's revenues as security for the payment of the bonds. These ordinances required Estill District on each year of the life of the bonds to make a principal and interest payment on February 1 and an interest payment on August 1. They provided that Estill District would be deemed in default on these obligations if it fails to make timely payment. These ordinances also provided that, in the event of default, RD could bring legal action for the appointment of a receiver to administer Estill District's water system on the bondholders' behalf.

11. Beginning in 2013, Estill District experienced difficulty meeting its operating expenses and its payments on the RD loans. To meet these deficiencies, its Board of Commissioners elected to use funds from its depreciation reserve accounts and then to borrow funds from Citizens Guaranty Bank. Estill District ultimately entered three loans with Citizens Guaranty Bank totaling of \$410,940 to meet operating expenses and debt service payments.

12. In May 2017 Estill District applied to the Commission for an adjustment of its general rates for water service that would generate additional annual revenues of \$345,009.⁷ This request represented Estill District's first general rate adjustment in four years and was necessary if Estill District was to generate sufficient revenues to meet its existing operating expenses and continue to service its existing debt.

13. On December 20, 2017, the Commission in Case No. 2017-00176 denied the Estill District's requested increase and instead authorized rates that would generate additional

⁷ *Electronic Application of Estill County Water District No. 1 For Rate Adjustment Pursuant To 807 KAR 5:076, Case No. 2017-00176 (Ky. PSC filed May 10, 2017).*

annual revenues of \$194,147. In calculating Estill District's revenue requirement, the Commission disallowed \$146,741 of the Estill District's test period purchased water expenses as unreasonable as these expenses represented the cost of unaccounted-for water in excess of the 15 percent limit placed on unaccounted-for water loss.⁸ The Commission noted that Estill District's "current financial difficulties could be eliminated by reducing unaccounted-for water loss to 15 percent."⁹

14. By November 2017 Estill District's Board of Commissioners recognized that Estill District would be unable to make required principal and interest payments totaling approximately \$165,551 on its RD loans on February 1, 2018. At that time, they informed the Commission that Estill District lacked sufficient funds to meet these payments and would attempt to refinance the RD loans.¹⁰ At that time, market interest rates were lower than the interest rates on several of the RD loans and the proposed refinancing was expected to produce savings and a payment schedule that Estill District could more readily meet.

15. On February 1, 2018, Estill District made timely payment of \$48,016.56 on Loan 91-19, but failed to make the required principal and interest payment of \$117,534.37 on its remaining RD loans.

16. On February 5, 2018, Estill District applied to the Commission for authorization to borrow approximately \$2,745,000 from the KRWFC to refinance five of its six RD loans and its loans with Citizens Guaranty Bank.¹¹ (Loan 91-19 was not included in the refinancing proposal.) Estill District advised the Commission that the proposed refinancing was needed "to

⁸ 807 KAR 5:066, Section 6(1).

⁹ Order of Dec. 20, 2017 at 4.

¹⁰ Case No. 2017-00176, VR: 11/01/2017; 09:59:41; VR: 11/01/2017; 11:02:19.

¹¹ *Application of Estill County Water District No. 1 to Issue Securities in the Approximate Principal Amount of \$2,745,000 for the Purpose of refunding and/or Reamortizing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, Case No. 2018-00058 (Ky. PSC filed Feb. 5, 2018).

restructure its debt payments and afford it additional time to correct its operational problems while remaining current on its debt service obligations.”¹² It further advised the Commission that “[i]f the proposed refunding does not occur by late February 2018, the District will be in default on one or more of its existing debt obligations.”¹³ Estill District calculated that the proposed loan would provide a net present value benefit of \$108,317 over the 29-year life of the loan, but would result in negative gross savings of \$3,099. The proposed loan did not require any principal payment for its first two years.

17. On March 6, 2018, the Commission denied Estill District’s application for authorization to enter the proposed loan with KRWFC. The Commission found that, as the proposed loan resulted in a negative savings of \$3,099 over its 29-year life, it produced no financial benefit to Estill District and was not reasonable.¹⁴

18. Estill District has not made any principal or interest payments to RD since February 1, 2018. RD currently considers Estill District to be a delinquent borrower.¹⁵

RD Proposal To Reamortize and Reschedule Outstanding RD Loans

19. In June 2018, representatives of Estill District discussed with officials of the Kentucky State RD Office the possible restructuring of Estill District’s RD loans. As a result of these discussions, the RD Kentucky State Office submitted to RD’s National Office a request to reamortize Estill District’s loans with an interest rate adjustment to RD’s current poverty rate (2.375 percent per annum) and to reschedule the loans to 40 years. A copy of this request is attached as **Exhibit 7** to this Application. On October 15, 2018, the Acting Administrator of the

¹² Case No. 2018-00058, Application at ¶ 18

¹³ *Id.*

¹⁴ Estill District applied for rehearing on the Order of March 6, 2018, but withdrew its application as changing market interest rates led KRWFC to withdraw its loan offer.

¹⁵ On August 1, 2018, Estill District was unable to make the required interest payment for any loan listed in Table 1.

Rural Utilities Service approved the request. A copy of the memorandum approving the request is attached as **Exhibit 8** to this Application.

20. Under the State RD Office proposal, Estill District will issue six series of replacement bonds to replace and substitute for the existing outstanding bonds. The amount of each replacement series will equal the remaining principal and accrued interest on the series to be replaced. Each replacement bond series will mature in 40 years. A proposed amortization schedule reflecting the total annual payment on the replacement bonds is attached as **Exhibit 9** of this Application. Under the RD’s current poverty interest rate of 2.375 percent, Estill District will make annual principal and interest payments of \$158,642 for the life of the replacement bonds. Based upon the average of its required annual debt service payments for next five years under the existing RD bonds, the proposed annual debt service is approximately \$80,527 less than the payment under the current RD bonds, Table 4 below shows Estill District annual debt service payments under the existing bonds.

TABLE 4					
Loan No.	2019	2020	2021	2022	2023
91-07	\$ 30,800	\$ 31,025	\$ 30,700	\$ 30,850	\$ 30,950
91-09	\$ 6,025	\$ 5,875	\$ 6,225	\$ 6,050	\$ 5,875
91-10	\$ 27,777	\$ 28,215	\$ 28,107	\$ 27,977	\$ 27,825
91-13	\$ 54,147	\$ 54,180	\$ 54,167	\$ 54,110	\$ 54,007
91-16	\$ 49,701	\$ 49,541	\$ 49,860	\$ 49,638	\$ 49,896
91-19	\$ 68,308	\$ 68,596	\$ 68,360	\$ 68,611	\$ 68,340
Total	\$238,777	\$239,452	\$239,440	\$239,258	\$238,916
Average Annual Payment (2019-2023): \$239,168.60					

21. Under RD Staff Instructions, reamortization and rescheduling are only available if a delinquent debtor can demonstrate that it has sufficient cash flow to meet the revised payment schedule and the reserve requirements of the loans. Accordingly, as a condition to the reamortization and rescheduling of its loans, Estill District must consolidate its four loans with

Citizens Guaranty Bank, extend the term of the consolidated loan to 10 years, and obtain an interest rate on the consolidated loan no greater than 3.85 percent per annum. Unless Estill District obtained such restructuring, it would lack sufficient cash flow in the early years of the reamortized RD loans to meet the revised payment schedule and reserve requirements and the proposed reamortization and rescheduling could not proceed.

Proposed Restructuring of Citizens Guaranty Bank Loan

22. During the summer months of this year, Estill District discussed with Citizens Guaranty Bank officials restructuring its existing notes. In August 2018 Citizens Guaranty Bank agreed to consolidate its existing four notes into a single loan under the following terms: The consolidated loan would have an initial interest rate of 3.00 percent per annum and be payable over a period not to exceed 10 years. Its interest rate is subject to adjustment to the current market rate of interest on the third and seventh anniversaries of its execution. The adjusted interest rate, however, may not exceed the interest rate on two-year U.S. Government Treasury Notes auctioned most recent to the loan anniversary date plus 1.5 percent and cannot be lower than three percent. The loan would be secured in the same manner as the existing loans. Estill District would have the right to retire the loan in advance without penalty. Citizens Guaranty Bank's offer to consolidate the loans is attached as **Exhibit 10** of the Application.¹⁶

23. Estill District's monthly payment under the consolidated loan is significantly less than its total payment under the current notes with Citizens Guaranty Bank. Estill District currently makes total monthly payments to Citizens Guaranty Bank of \$5,471.12. Under the consolidated loan, Estill District will make an estimated monthly payment of \$2,305.03 – a reduction of \$3,166.09. The expected payment schedule for the proposed consolidated loan is

¹⁶ Citizens Guaranty Bank's initial offer expired on November 11, 2018. It reissued its offer on November 30, 2018. Both offers are attached to this Application.

attached as at **Exhibit 11**.¹⁷ The consolidated loan also eliminates the balloon payments totaling \$231,785.34 between January 31, 2019 and February 10, 2021 that would have been required as the existing notes mature.

Authorization to Execute New Promissory Note with Citizens Guaranty Bank

24. A description of Estill District's water system and its property, stated at original cost by accounts, is contained in *Annual Report of Estill County Water District No. 1 to the Public Service Commission for the Year Ending December 31, 2017* ("2017 Annual Report"), a copy of which Estill District has previously filed with the Public Service Commission and which is incorporated by reference into this Application.

25. Estill District does not propose to issue any stock or bonds.

26. Estill District proposes to enter a promissory note with Citizens Guaranty Bank for approximately \$238,712.43 ("Promissory Note").¹⁸ The Promissory Note will have an initial interest rate of 3.00 percent per annum and will be payable over a period not to exceed 10 years. The Promissory Note's interest rate is subject to adjustment to the current market rate of interest on the third and seventh anniversaries of the Promissory Note's execution. The adjusted interest rate, however, may not exceed the interest rate on two-year U.S. Government Treasury Notes auctioned most recent to the Promissory Note's anniversary date plus 1.5 percent. The Promissory Note will be secured with Estill District's existing account receivables and any acquired after the Promissory Note's execution and by a security interest in the service vehicle purchased with the proceeds of Note No. 37095.

¹⁷ The estimated payment schedule assumes a three percent interest rate throughout the 10-year life of the loan. Under the proposed loan's terms, however, the interest rate may be adjusted upward to reflect existing market rates on the third and seventh anniversaries of the loan's execution.

¹⁸ This amount includes interest accruing on the principal of each existing loan after the most recently scheduled monthly payment and prior to the assumed execution date of December 31, 2018.

27. All of the Promissory Note's proceeds will be used to retire existing promissory notes that Estill District issued to and are currently held by Citizens Guaranty Bank. Table 3 of this Application sets forth the date, amount, time and rate of interest for each of these notes. With the exception of the proceeds of Note No. 37095, which were used to purchase a service vehicle, the proceeds of these notes were used to meet current operating expenses or debt service payments.

28. No property will be acquired with proceeds from the Promissory Note.

29. A copy of Estill District's written notification to the State Local Debt Officer is attached as **Exhibit 12**.

30. Pursuant to 807 KAR 5:001, Section 18(2)(a), the following information is provided:

a. Estill District's 2017 Annual Report is incorporated by reference into this Application.

b. For the 12-month period ending December 31, 2017, Estill District had less than \$5,000,000 in gross annual revenues.

c. No material changes have occurred in Estill District's financial condition since December 31, 2017.

d. Estill District is not authorized to issue nor has it issued any stock.

e. Estill District has no trust deeds or mortgages applicable.

f. The information required by 807 KAR 5:001, Section 12(e), (f), (g) and (i) is set forth in Estill District's 2017 Annual Report.

31. The proposed loan will not require Estill District to seek an adjustment of its rates for service.

32. Approximately \$223,400 of the Promissory Note's principal is related to Notes No. 88196, No. 03387, and No. 24597, whose proceeds Estill District used to meet current operating expenses and debt service payments. In Case No. 2017-00176, the Commission found that rate recovery of debt service payments on these notes would constitute retroactive ratemaking and was unlawful.¹⁹ In recognition of this holding, Estill District hereby waives any right in any future general rate proceeding to recover through rates the portion of the Promissory Note's debt service payments related to these notes.²⁰

33. Estill District's execution of the proposed Promissory Note with Citizens Guaranty Bank to consolidate and refinance its existing promissory notes with Citizens Guaranty Bank is for a lawful objective within Estill District's corporate purposes, and is necessary, appropriate for, and consistent with Estill District's proper performance of its service to the public. It will not impair Estill District's ability to perform that service and is reasonably necessary and appropriate for such purpose.

34. While the consolidation of the existing Citizens Guaranty Bank loans into the proposed Promissory Note will not produce a positive savings for Estill District, it will produce significant benefits for Estill District. The issuance of the Promissory Note is part of a realistic and practical plan to restructure Estill District's debt and to allow Estill District adequate time to rebuild its cash reserves and address operational problems. The restructuring plan produces several benefits that cannot be easily quantified, such as avoidance of litigation expenses,

¹⁹ Case No. 2017-00176, Order of Dec. 20, 2017 at 8 (adopting and incorporating the findings and recommendations of Commission Staff Report on Estill District's application for rate adjustment); Commission Staff Report on Estill County Water District No. 1 at 21-22 (filed Aug. 9, 2017 in Case No. 2017-00176).

²⁰ In its resolution authorizing the filing of this Application, Estill District's Board of Commissioners agreed not to request pursuant to KRS 278.180 any recovery through rates of the principal and interest payments related to the loans that were obtained for the purpose of meeting operating expenses or debt service payments. See Exhibit 1 to this Application.

penalties and additional interest expenses and the continuance of local control over the operation and management of Estill District's facilities.

35. As RD is an agency of the United States Department of Agriculture and the proposed RD loan reamortization and rescheduling is subject to RD's control and supervision, the proposed reamortization and rescheduling of Estill District's existing RD loans do not require Commission authorization.²¹

36. If Estill District is not granted authorization to issue the Promissory Note, RD will not proceed with the proposed reamortization and rescheduling of the RD loans and will likely commence a legal action to obtain the appointment of a receiver to operate Estill District's assets for the benefit of the bondholders. The appointment of a receiver will adversely affect Estill District and its customers. Estill County residents will lose control over their water supplier. The appointment of a receiver will increase public uncertainty about the future of Estill County's water supplier. Estill District is likely to incur significant legal costs related to any legal action seeking the appointment of a receiver and to experience higher borrowing costs as potential creditors will request a higher rate of interest to compensate for the greater uncertainty. Similarly, vendors may be less willing to extend credit for goods and services and require payment prior to the delivery of goods and service. The uncertainty related to the appointment of a receiver is also likely to adversely affect employee morale and the provision of service.

37. The appointment of a receiver will also adversely affect other water utilities subject to Commission regulation. Lending institutions are likely to interpret the denial of Estill District's application as evidence of an unfavorable and unsupportive regulatory environment and an indicator of a lack of interest on the Commission's part to assist troubled water districts.

²¹ KRS 278.300(10). *See also Application of Adair County Water District to Assume Certain Securities in the Outstanding Principal Amount of \$2,236,343 Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001, Case No. 2010-00361 (Oct. 7, 2010).*

They are likely to become more circumspect in their lending practices and less willing to extend credit to water districts with weak financial positions. As a result, the ability of these water utilities to expand or replace existing infrastructure and to maintain or improve the quality of their service will likely to suffer.

38. Estill District respectfully requests that a decision on its application be made no later than **December 27, 2018**. Unless the Commission acts promptly on this application, Estill District may receive a less favorable interest rate on the proposed reamortization and rescheduling of the RD loans. The current RD poverty lending rate of 2.375 percent per annum will remain in effect only until December 31, 2018. RD is required to reevaluate its poverty lending rate quarterly and to revise it to reflect current market conditions. Final action on the proposed reamortization and rescheduling will not occur until a decision on the proposed restructuring of the Citizens Guaranty Bank loans is issued. A decision on this application by December 27, 2018 will enable the execution of all documents prior to December 31, 2018 and ensure the present interest rate.

Requested Relief

WHEREFORE, Estill County Water District No. 1 requests that the Commission:

1. Place this Application at the head of the Commission's docket as KRS 278.300(2) requires;
2. Enter an Order authorizing Estill District to consolidate its existing loans with Citizens Guaranty Bank and execute a new promissory note payable over a period of 10 years at an initial rate of three percent per annum and subject to the conditions described in this Application;

3. Enter an Order granting such authority without holding an evidentiary hearing in this matter and no later than **December 27, 2018**; and

4. Grant any and all such other relief to which Estill District may be entitled.

Dated: December 4, 2018

Respectfully submitted,

A handwritten signature in blue ink that reads "Gerald E. Wuetcher". The signature is written in a cursive style and is positioned above the printed name and contact information.

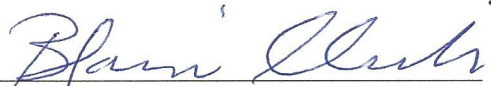
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Counsel for Estill County Water District No. 1

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF ESTILL)

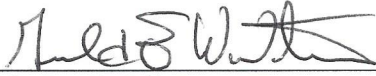
The undersigned, Blain Click, being duly sworn, deposes and states that he is the Chairman of Estill County Water District No. 1, the Applicant in the above proceedings; that he has read this Application and has noted its contents; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

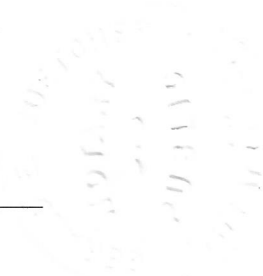
IN TESTIMONY WHEREOF, witness the signature of the undersigned on this December 4th, 2018.


Blain Click
Chairman, Board of Commissioners
Estill County Water District No. 1

Subscribed and sworn to before me by Blain Click in his capacity as Chairman of Estill County Water District No. 1 on this December 4th, 2018.

My Commission expires: 12 May 2021.


Notary Public
Notary ID: 579303



CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that Estill County Water District No. 1's electronic filing of this Application is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Public Service Commission on December 4, 2018; that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding; and that on or before December 6, 2018 this Application in paper medium will be delivered to the Public Service Commission.

A handwritten signature in blue ink that reads "Gerald E. Wuetcher". The signature is written in a cursive style with a horizontal line underneath the name.

Gerald E. Wuetcher

**FILING REQUIREMENTS FOR AN APPLICATION FOR A
AUTHORITY TO ISSUE SECURITIES OR EVIDENCES OF INDEBTEDNESS**

Source Authority	Requirement	Location
807 KAR 5:001, § 14(1)	Applicant's name, mailing address and e-mail address	Page 2, Paras 1-2
807 KAR 5:001, § 14(1)	Statutory Reference – KRS 278.300	Page 1
807 KAR 5:001, § 4(3)	Signature of Applicant's Attorney	Page 16
807 KAR 5:001, § 4(3)	Name, Address, Telephone Number, Fax Number, and e-mail address of Applicant's Attorney	Page 16
807 KAR 5:001, § 14(2)	If Applicant is corporation: State and date of incorporation, attestation of good standing in state of incorporation, statement regarding authorization to transact business in Kentucky	Page 2, Para 3 Not Applicable
807 KAR 5:001, § 14(3)	If Applicant is a limited liability company: State and date of organization, attestation of good standing in state of incorporation, statement regarding authorization to transact business in Kentucky	Page 2, Para 3 Not Applicable
807 KAR 5:001, § 14(4)	If the Applicant is a limited partnership: a certified copy of limited partnership agreement and all amendments or statement identifying prior Commission proceedings in which limited partnership agreement and all amendments filed	Page 2, Para 3 Not Applicable
KRS 278.300(2)	Application is made under oath and signed on utility's behalf by its president, or by a vice president, auditor, comptroller or other executive officer having knowledge of the matters set forth and duly designated by the utility	Page S-1
807 KAR 5:001, § 18(1)(a)	Information required by 807 KAR 5:001, § 14	See Above
807 KAR 5:001, § 18(1)(b)	Description of Applicant's property and the field of its operation	Page 2, Para 5 Page 11, Para 24
807 KAR 5:001, § 18(1)(b)	Statement of original cost of Applicant's property and the cost to the Applicant, if different	Page 11, Para 24
807 KAR 5:001, § 18(1)(c)	Description of amount and kinds of stock to be issued	Page 11, Para 25 Not Applicable
807 KAR 5:001, § 18(1)(c)	Description of amount, terms and interest rate of bond or note	Page 11, Para 26 Page 12, Para 27
807 KAR 5:001, § 18(1)(c)	Description of how bond or note will be secured	Page 10, Para 22 Page 11, Para 26
807 KAR 5:001, § 18(1)(d)	Statement of how proceeds are to be used	Page 12, Para 27; Exhibit 2

Source Authority	Requirement	Location
807 KAR 5:001, § 18(1)(e)	If proceeds will be used to acquire, construct, improve, or extend property: a detailed description of property and all contracts	Page 12, Para 28 Not Applicable
807 KAR 5:001, § 18(1)(f)	Requirements if proceeds are to refund outstanding obligations	Page 5, Para 9(c) Page 17, Para 27
807 KAR 5:001, § 18(1)(g)	Applicant's written notification to state local debt officer regarding proposed issuance	Page 12, Para 29 Exhibit 12
807 KAR 5:001, § 18(2)(a) 807 KAR 5:001, § 12(1)	Financial Exhibit	Page 12, Para 30
807 KAR 5:001, § 18(2)(b)	Copies of trust deeds or mortgages	Page 12, Para 30(e) Not Applicable
807 KAR 5:001, § 18(2)(c)	If property acquired: maps and plans of property	Page 12, Para 28 Not Applicable
807 KAR 5:001, § 18(2)(c)	If property acquired: detailed estimates by USOA account number	Page 12, Para 28 Not Applicable

EXHIBITS

TABLE OF EXHIBITS

<u>Tab No.</u>	<u>Description</u>
1	A Resolution of the Board of Commissioners of Estill County Water District No. 1 Authorizing An Application to the Kentucky Public Service Commission for Authorization to Issue An Evidence of Indebtedness and Other Relief as Necessary (Aug. 30, 2018)
2	Written Testimony of Blain Click, Chairman, Estill County Water District No. 1
3	Written Testimony of Anthony Hollinsworth, Rural Development, Kentucky State Program Director, Water and Waste Disposal Loan and Grant Program
4	Amortization Schedules - Rural Development Loans
5	Amortization Schedule – Kentucky Rural Water Finance Corporation Loan
6	Citizens Guaranty Bank Loans – Notes and Amortization Schedules
6A	CGB Note No. 88198
6B	CGB Note No. 03387
6C	CGB Note No. 24597
6D	CGB Note No. R88196
6E	CGB Note No. 37095
7	Kentucky State Rural Development Office Request to Reamortize and Reschedule Loans and Adjust Interest Rate
8	Memorandum of Acting Director of Rural Utilities Service Approving Request to Reamortize and Reschedule Loans and Adjust Interest Rate (October 15, 2018)
9	Proposed Amortization Schedule – Replacement Bonds
10	Citizen Guaranty Bank Offers to Consolidate Loans
11	Estimated Amortization Schedule for Proposed Citizen Guaranty Bank Consolidated Loan
12	Notice to State Local Debt Officer

EXHIBIT 1

RESOLUTION NO. 2018-6**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF
ESTILL COUNTY WATER DISTRICT NO. 1 AUTHORIZING AN
APPLICATION TO THE KENTUCKY PUBLIC SERVICE
COMMISSION FOR AUTHORIZATION TO ISSUE AN EVIDENCE
OF INDEBTEDNESS AND OTHER RELIEF AS NECESSARY**

WHEREAS, Estill County Water District No. 1 is currently delinquent on the payment of its obligations existing under several series of bonds that it has issued to finance waterworks improvements;

WHEREAS, Rural Development is the owner of these bonds;

WHEREAS, Estill County Water District No. 1 has had discussions with Rural Development regarding the restructuring of its outstanding loan;

WHEREAS, Rural Development's Kentucky State Office has proposed a plan for the restructuring Estill County Water District No. 1's existing bonded debt and that Rural Development's National Office is reviewing the proposed plan;

WHEREAS, a condition of the proposed debt restructuring plan is that Estill County Water District No. 1 restructure its outstanding loans with Citizens Guaranty Bank to allow for repayment over a period of ten (10) years or longer from the date that proposed Rural Development restructuring plan is implemented;

WHEREAS, Citizens Guaranty Bank has committed to the restructuring of its existing loans to Estill County Water District No. 1 and has set forth the terms of this commitment in a letter dated August 13, 2018 ("Commitment Letter"), a copy of which is appended to this Resolution;

WHEREAS, the terms set forth in the Commitment Letter are reasonable and will enable Estill County Water District No. 1 to meet the conditions of Rural Development's proposed debt restructuring plan and will enable Estill County Water District No. 1 to improve its financial condition and continue to provide water service to the residents of Estill County;

WHEREAS, KRS 278.300 prohibits a utility from issuing an evidence of indebtedness until it has been authorized to do so by an order of the Kentucky Public Service Commission; and

WHEREAS, the Kentucky Public Service Commission found in PSC Case No. 2017-00176 that Estill County Water District No. 1's existing loans with Citizens Guaranty Bank were entered for the purpose of meeting operating expenses and were not eligible for recovery through rates;

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF ESTILL COUNTY WATER DISTRICT NO. 1 AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. Legal Counsel for Estill County Water District No. 1 is hereby authorized and directed to take any and all actions to apply to the Kentucky Public Service Commission for authorization for Estill County Water District No. 1 to issue any evidences of indebtedness necessary to implement the proposed restructuring of Estill County Water District No. 1's existing loans with Citizens Guaranty Bank under the terms set forth in the Commitment Letter.

Section 3. Legal Counsel for Estill County Water District No. 1 is further authorized to represent to the Kentucky Public Service Commission that, if authorization for the proposed restructuring of the existing loans with Citizens Guaranty Bank under the terms set forth in the Commitment Letter, Estill County Water District No. 1 will not request pursuant to KRS 278.180 any recovery through rates of the principal and interest payments related to the existing loans with Citizens Guaranty Bank or the restructured loan agreement with Citizens Guaranty Bank

Section 4. The Chairman is hereby authorized and directed to execute any Application to the Kentucky Public Service Commission necessary to obtain authorization for Estill County Water District No. 1 to issue any evidences of indebtedness necessary to implement the proposed restructuring of Estill County Water District No. 1's existing loans with Citizens Guaranty Bank under the terms set forth in the Commitment Letter.

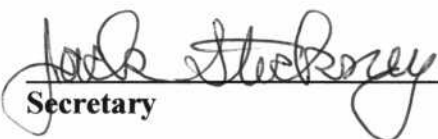
Section 5. This Resolution shall take effect upon its adoption.

ADOPTED BY THE BOARD OF COMMISSIONERS OF ESTILL COUNTY WATER DISTRICT NO. 1 at a meeting held on August 30, 2018 signed by the Chairman, and attested by the Secretary.



Chairman

ATTEST:



Secretary

**APPENDIX TO A RESOLUTION OF THE BOARD OF COMMISSIONERS OF
ESTILL COUNTY WATER DISTRICT NO. 1
DATED AUGUST 30, 2018**



www.MyCGB.com • Member FDIC

P.O. Box 630 • 25 River Drive
Irvine, Kentucky 40336
606-723-2139

West Irvine Plaza
Irvine, Kentucky 40336
606-723-2138

August 13, 2018

Attention: Gerald E. Wuetcher
Attorney f/b/o Estill County Water District #1
Stoll, Keenon, and Ogden PLLC
300 W. Vine Street, Ste. 2100
Lexington, Kentucky 40507-1801

This letter is to acknowledge that Citizens Guaranty Bank has committed to consolidate the Estill County Water District's current four loans into one loan with an outstanding balance of approximately \$264,779.28. The consolidated loans will be amortized over a ten-year term and have an initial interest rate of three percent per annum. The interest rate on the consolidated loan would be readjusted on the third and seventh anniversaries of the loan's execution date to the current market rate. The interest rate; however, could not exceed the interest rate of the most recent auction of two-year US Treasury Notes at the time of the loan anniversary plus 1.5% and could not be adjusted lower than 3%. The consolidated loan could be prepaid without penalty. In addition, the bank will continue to maintain the same security interest as it presently has under the existing loans. This commitment will be honored by Citizens Guaranty Bank for a period of 90 days from the date of this commitment letter. Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael D. Wilson".

Michael D. Wilson
President

EXHIBIT 2

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ESTILL)	
COUNTY WATER DISTRICT NO. 1 FOR)	
AUTHORIZATION TO CONSOLIDATE ITS)	CASE NO. 2018-00276
EXISTING LOANS WITH CITIZENS)	
GUARANTY BANK)	

DIRECT TESTIMONY OF DANIEL BLAIN CLICK
CHAIRMAN, ESTILL COUNTY WATER DISTRICT NO. 1
BOARD OF COMMISSIONERS

Filed: December 4, 2018

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

2 A. My name is Daniel Blain Click. I am Chairman of Estill County Water District No.
3 1's Board of Commissioners. My business address is 76 Cedar Grove Road, Irvine,
4 Kentucky 40336.

5 **Q. Have you previously testified before the Kentucky Public Service Commission?**

6 A. No.

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

8 A. The purpose of my testimony is to describe Estill County Water District No. 1's
9 ("Estill District") need for the proposed loan with Citizens Guaranty Bank of Irvine,
10 Kentucky.

11 **Q. How long have you been a member of Estill District's Board of Commissioners?**

12 A. I was appointed to the Board of Commissioners on April 5, 2018. On April 23, 2018,
13 I was elected as its Chairman.

14 **Q. Identify the current members of Estill District's Board of Commissioners.**

15 A. Jack Stickney, Robert "Skip" Johnson, and I are the current members of Estill
16 District's Board of Commissioners. We are recent appointees. The prior members of
17 the Board of Commissioners resigned in April and May 2018 as part of an agreement
18 with the Public Service Commission to resolve issues related to the alleged
19 unauthorized issuance of evidences of indebtedness.¹

20 Mr. Stickney is employed as a source water protection specialist with the
21 Kentucky Rural Water Association. He holds a Bachelor's of Science Degree in
22 geology from Radford University and a Master's of Science Degree in geology from

¹ *Estill County Water District No. 1, and its Individual Commissioners Greg Wright, William Beard, and Jerry Arnold: Alleged Failure to Comply with KRS 278.300, Case No. 2017-00469 (Ky. PSC Mar. 7, 2018).*

1 Eastern Kentucky University. He was previously employed as a geologist with the
2 Kentucky Geological Survey and an environmental engineer with the Kentucky
3 Department for Environmental Protection. He is a registered Professional Geologist
4 in Kentucky, North Carolina and Alaska. He also serves as member of the Estill
5 County Agriculture Development Board and Agriculture Leadership Council. Mr.
6 Stickney serves as Estill District's Secretary.

7 Mr. Johnson is a native of Estill County. He is a retired educator and school
8 administrator. He holds an Associate in Arts Degree in Education from Faulkner
9 State Junior College and a Bachelor's of Arts and a Master's of Arts Degree from
10 Eastern Kentucky University. He was an elementary education teacher for 16 years
11 and served as the Director of Pupil Personnel for the Estill County Board of
12 Education for 14 years. He is currently a member of the Board of Directors of Estill
13 Action Group – a local community group that fosters greater community
14 involvement. Mr. Johnson serves as Estill District's Treasurer.

15 I am a retired educator. I am currently employed as a Utilities Coordinator for
16 Stantec Engineering. I hold a Bachelor's of Science Degree in Civil Engineering
17 from the University of Kentucky and a Bachelor's of Science Degree in Physics and
18 Math Education from Eastern Kentucky University. I also hold a Master's of Arts
19 Degree in Secondary School Guidance Counseling from Eastern Kentucky
20 University, as well as a Rank I School Principal Certification and School
21 Superintendent Certification. I have previously been employed as a civil engineer
22 with the Kentucky Transportation Cabinet, and as a teacher, assistant principal and

1 principal of Estill County High School. I am a licensed professional engineer in the
2 state of Kentucky.

3 **Q. Have all of the current members of Estill District's Board of Commissioners**
4 **attended or are scheduled to attend new water district commissioner training as**
5 **KRS 74.020(8)(b) requires?**

6 A. Yes. On April 17-18, 2018, I attended the training conducted at Jenny Wiley State
7 Resort Park. Mr. Stickney and Mr. Johnson are scheduled to attend the training
8 provided at the Public Service Commission's offices on December 4-5, 2018.

9 **Q. Briefly describe Estill District.**

10 A. Estill District is a water district organized under KRS Chapter 74. It was created in
11 1964. It provides water service to approximately 3,763 retail customers in Estill
12 County, Kentucky. It purchases its total water requirements from Irvine Municipal
13 Utilities and Jackson County Water Association. It has over 217 miles of water mains
14 which range up to 12 inches. It also operates 12 water storage tanks throughout
15 McCreary County and possesses a total system storage capacity of 2.08 million
16 gallons. It currently has seven full-time employees

17 **Q. Briefly summarize Estill District's current financial condition.**

18 A. Estill District is in a precarious financial condition. As shown in Exhibit DBC-1 to
19 my testimony, it has experienced a negative net income each year since 2010.
20 Between 2010 and 2017, it had a cumulative net income of (\$3,208,375). Its financial
21 problems stem from a high rate of unaccounted-for water loss. Each year since 2010,
22 Estill District has been unable to account for 23 percent or more of its total purchased
23 water. Since 2014 it has experienced an unaccounted water rate in excess of 35

1 percent. Basically, for every three gallons of water purchased since 2014, Estill
2 District recorded purchases of slightly less than two gallons of water.

3 Estill District currently has indebtedness of approximately \$4.16 million
4 (including accrued interest). It has three principal creditors: Rural Development
5 (“RD”), an agency of the U.S. Department of Agriculture; the Kentucky Rural Water
6 Finance Corporation (“KRWFC”); and Citizens Guaranty Bank of Irvine, Kentucky.
7 Of its \$4.16 million debt, approximately \$3.88 million is owed to RD. This amount
8 represents six individual loans that Estill District had obtained from RD since 1992.
9 Exhibit 2 of my testimony provides a complete breakdown of the RD loans.

10 As of today, Estill District is delinquent on all of its loans with RD. It has
11 been delinquent on five of these loans since February 2018. It has been delinquent on
12 the remaining loan since August 2018. Under the terms of the bond resolutions that
13 Estill District’s Board of Commissioners adopted when issuing bonds to evidence
14 these six loans, RD could initiate legal action for the appointment of a receiver to
15 operate and manage Estill District’s facilities or for the sale of these facilities to
16 satisfy these obligations.

17 **Q. How did Estill District reach this condition?**

18 A. I was not a member of Estill District’s Board of Commissioners prior to April 2018
19 so I lack personal knowledge of the events leading to Estill District’s current financial
20 condition. Reviewing Estill District’s records, however, it appears that in 2013 Estill
21 District experienced problems meeting its operating expenses and its debt service
22 payments on the RD loans. Rather than seeking a rate adjustment, it elected to use
23 the funds in its depreciation reserve account and to borrow funds from Citizens

1 Guaranty Bank to meet revenue deficiencies. It ultimately entered three loans with
2 Citizens Guaranty Bank for a total of \$410,940 for this purpose.

3 In 2015 and 2016 Estill District sought the assistance of the Kentucky Rural
4 Community Assistance Partnership to prepare an application for rate adjustment. The
5 application, however, was not completed and filed with the Public Service
6 Commission (“Commission”) until May 2017.

7 In that application, Estill District requested rates that would generate
8 additional annual revenues of \$345,009. The Commission denied the requested rates,
9 and instead authorized rates that would generate additional annual revenues of
10 \$194,147. Estill District’s high level of unaccounted-for water was the primary cause
11 of the lower approved rates. In calculating Estill District’s revenue requirement, the
12 Commission disallowed \$146,741 of the Estill District’s test period purchased water
13 expenses as unreasonable as these expenses represented the cost of unaccounted-for
14 water that exceeded the 15 percent limit that the Commission’s regulations placed on
15 unaccounted-for water.

16 By late 2017, it was clear to Estill District’s Board of Commissioners that,
17 even with the rate adjustment, it would not have sufficient funds to make its debt
18 service payments of approximately \$165,551 on its RD loans on February 1, 2018.
19 To avoid becoming delinquent on these payments, Estill District attempted to borrow
20 approximately \$2,745,000 from the KRWFC to refinance five of its six RD loans and
21 its loans with Citizens Guaranty Bank. (It had sufficient funds to meet the debt
22 service payment on Loan 91-19, which also had the most favorable interest rate of all
23 of Estill District’s loans.) It was anticipated that the proposed refinancing would

1 produce some savings and, more importantly, provide additional time for Estill
2 District to resolve its operational and financial problems.

3 After reviewing the proposed loan, however, the Commission denied Estill
4 District's application for authorization to enter the proposed loan. It found no
5 evidence that "obtaining the financing will provide any financial benefit" to Estill
6 District. It based this finding on evidence that the proposed refinancing would result
7 in total debt service payments that exceeded the total of Estill District's debt service
8 payments under the existing loans.

9 Unable to refinance the RD loans, Estill District became delinquent on five of
10 its six RD loans. It failed to make the next required debt service payments on all of
11 its RD loans on August 1, 2018 and is now delinquent on all of its RD loans.

12 **Q. What action did Estill District take after failing to meet its debt service
13 payments on the RD loans?**

14 A. Shortly after the Commission denied the request for authorization for the proposed
15 KRWFC loan, three new commissioners were appointed to Estill District's Board of
16 Commissioners. As a Board, we have focused exclusively on two issues:
17 restructuring Estill District's delinquent RD loans and reducing Estill District's
18 unaccounted-for water loss. For purposes of my testimony today, I will address only
19 our efforts regarding debt restructuring.

20 In June 2018, we met with the Kentucky State RD Office to discuss the
21 restructuring of Estill District's RD loans. As a result of these discussions, the RD
22 Kentucky State Office in late June 2018 submitted to RD's National Office a request
23 to reamortize Estill District's loans with an interest rate adjustment to RD's current

1 poverty rate (2.375 percent per annum) and to reschedule the loans to 40 years. This
2 request was approved on October 15, 2018.

3 20. Under the State RD Office proposal, Estill District will issue six series
4 of replacement bonds to replace and substitute for the existing outstanding bonds.
5 The amount of each replacement series will equal the remaining principal and accrued
6 interest on the series to be replaced. Each replacement bond series will mature in 40
7 years. The interest rate for the bonds will be the RD poverty interest rate that is in
8 effect when the replacement bonds are issued. Under the RD's current poverty
9 interest rate of 2.375 percent, the total annual principal and interest payment for the
10 replacement bonds will be \$158,642 throughout the life of the replacement bonds.
11 Under the existing RD loans, Estill District's average annual debt service payment for
12 the five year period from 2019 to 2023 would have been \$239,169. The annual debt
13 service amount under the RD proposal, therefore, represents a reduction of
14 approximately \$80,527 in Estill District's annual debt service payment.

15 **Q. Can Estill District meet the lower debt service payment under present**
16 **conditions?**

17 A. No. As a precursor to our discussions with the Kentucky State RD Office, the State
18 RD Office reviewed Estill District's books and prepared a budget based upon Estill
19 District's expected costs. Based upon this review, it determined that Estill District
20 could realistically meet the debt service payments under the reamortization and
21 rescheduling proposal only if the Citizens Guaranty Bank loans were restructured and
22 spread out over a longer period. Of particular concern to RD were the balloon
23 payments on the three outstanding Citizens Guaranty Bank loans, which totaled

1 \$231,785 and which would become due between January 31, 2019 and February 10,
 2 2021. We were advised that the proposal would only be feasible if the Citizens
 3 Guaranty Bank loans were renegotiated.

4 **Q. Describe the Citizens Guaranty Bank loans at issue.**

5 A. Estill District has four outstanding loans with Citizens Guaranty Bank. These loans
 6 occurred between 2013 and early 2018. They represent outstanding indebtedness as
 7 of December 31, 2018, of approximately \$238,415. The table below lists each note,
 8 the date of issuance, maturity date, the principal amount, interest rate, and the
 9 remaining principal amount as of December 31, 2018. A copy of each promissory
 10 note and its amortization schedule is attached as **Exhibit 6** to Estill District's
 11 Application.

CITIZENS GUARANTY BANK LOANS						
Note Number	Issuance Date	Maturity Date	Initial Amount	Interest Rate	Principal Remaining (12/31/2018)	Balloon Payment at Maturity
88196*	10/31/2013	10/30/2017	\$ 200,305	3.85%	\$ 0.00	\$110,254.22
03387	01/29/2015	01/28/2019	\$ 100,305	3.85%	\$55,030.22	\$ 55,210.16
24597	01/24/2017	02/10/2021	\$ 110,330	4.10%	\$ 88,293.54	\$ 61,136.91
R88196	10/31/2017	10/30/2019	\$ 110,254	3.85%	\$ 79,821.46	\$ 59,720.74
37095	02/22/2018	03/08/2020	\$ 18,453	4.50%	\$ 15,269.47	\$ 10,079.76
Total As of 12/31/2018					\$238,414.69	\$186,147.57
*Balloon Payment rolled into Note No. R88196						

12 The first three notes were for a term of four years. Their proceeds were used
 13 to meet operating expenses and debt service payments. The first of these notes, Note
 14 No. 88196, matured on October 30, 2017 and required a balloon payment of
 15 \$110,254.22. Unable to make this payment, Estill District issued a two-year
 16 promissory note (Note No. R88196) for this amount. Note No. 37095 was issued in

1 February 2018 to finance the acquisition of a service vehicle and has a term of two
2 years.

3 **Q. Is Estill District current on its payments under these loans?**

4 A. Yes. The loans will mature between January 31, 2019 and February 10, 2021. When
5 each loan matures, a significant balloon payment will be owed. Estill District does
6 not expect to have the necessary funds to meet those balloon payments.

7 **Q. What action did Estill District take in response to RD's request regarding the
8 Citizens Guaranty Bank loans?**

9 A. We approached Citizens Guaranty Bank and explained our situation. Citizens
10 Guaranty Bank was very sympathetic and agreed to renegotiate the loans.

11 **Q. What terms were reached?**

12 A. Citizens Guaranty Bank agreed to consolidate its existing loans into a single loan
13 under the following terms: The consolidated loan would have an initial interest rate
14 of 3.00 percent per annum and be payable over a period not to exceed 10 years. The
15 interest rate would be subject to adjustment to the current market rate of interest on
16 the third and seventh anniversaries of its execution. The adjusted interest rate,
17 however, could not exceed the interest rate on two-year U.S. Government Treasury
18 Notes auctioned most recent to the loan anniversary date plus 1.5 percent and cannot
19 be lower than three percent. The loan would be secured in the same manner as the
20 existing loans. Estill District would have the right to retire the loan in advance
21 without penalty. Citizens Guarantee Bank's offer to consolidate the loans attached as
22 Exhibit 10 of the Application.

23 **Q. What is the practical effect of the agreement?**

1 A. Estill District’s monthly payment under the proposed loan will be significantly less
2 than its total payment under the current loans with Citizen Guaranty Bank. Estill
3 District currently makes total monthly payments to Citizens Guaranty Bank of
4 \$5,471.12. Under the proposed loan, Estill District will make an estimated monthly
5 payment of \$2,305.03 – a reduction of \$3,166.09. The estimated payment schedule
6 for the proposed consolidated loan is attached as **Exhibit 11** of the Application.² The
7 proposed loan would also eliminate the need for Estill District to make balloon
8 payments totaling \$231,785.34 between January 31, 2019 and February 10, 2021 as
9 the existing loans mature. As I noted earlier, in its present financial condition, Estill
10 District is highly unlikely to have the funds for these payments.

11 **Q. What relief is Estill District requesting in this proceeding?**

12 A. It is requesting that the Commission authorize Estill District to issue a promissory
13 note to Citizens Guaranty Bank in the amount of the outstanding balances of the
14 existing four loans under the terms that Estill District and Citizens Guaranty Bank
15 have agreed and for the purpose of consolidating and retiring the existing four loans.

16 **Q. Is Estill District requesting approval of the RD proposal to reamortize and**
17 **reschedule the existing RD loans?**

18 A. No. Legal counsel has advised the Board of Commissioners that, as RD is an agency
19 of the United States Department of Agriculture and the proposed RD loan
20 reamortization and rescheduling is subject to its control and supervision, KRS
21 278.300(10) exempts the proposed reamortization and rescheduling of Estill District’s
22 existing RD loans from any requirement for Commission authorization

² The estimated payment schedule assumes a three percent interest rate throughout the 10-year life of the loan. Under the proposed loan’s terms, however, the interest rate may be adjusted upward to reflect existing market rates on the third and seventh anniversaries of the loan’s execution.

1 As a practical matter, however, the Commission’s decision on the proposed
2 promissory note to Citizens Guaranty Bank will effectively determine the fate of the
3 reamortization and rescheduling proposal. That proposal is conditioned upon a
4 restructuring of the Citizen Guaranty Bank loans. If those loans are not restructured,
5 RD will not proceed with the reamortization and rescheduling proposal.

6 **Q. What are the consequences if the Commission denies Estill District’s**
7 **application?**

8 A. Mr. Hollinsworth can better address that question from RD’s prospective. Without
9 Commission authorization, Estill District cannot consolidate and restructure its
10 existing loans with Citizens Guaranty Bank and that restructuring is a condition to the
11 proposed reamortization and rescheduling of the RD loans. RD has represented to
12 Estill District that the proposed reamortization and rescheduling will not be
13 implemented unless the Citizens Guaranty Bank loans are restructured. I assume that,
14 if the proposed reamortization and rescheduling cannot go forward, RD would take
15 action to enforce its rights under its existing loan agreements and the bond ordinances
16 that were adopted when Estill District entered those agreements. Those actions may
17 include legal action to obtain the appointment of a receiver to operate Estill District or
18 the sale of Estill District’s assets.

19 **Q. How would those actions affect Estill District and its customers?**

20 A. The appointment of a receiver will adversely affect both. The residents of Estill
21 County will lose control over their water supplier. The appointment of a receiver is
22 likely to undermine public confidence in the water utility and increase public concern
23 about the future of its water supply. Estill District is likely to incur significant legal

1 costs related to any legal action seeking the appointment of a receiver. It may
2 experience higher borrowing costs as potential creditors will request a higher rate of
3 interest to compensate for the greater uncertainty. Vendors may be less willing to
4 extend credit for goods and services and require payment prior to the delivery of
5 goods and service. The uncertainty related to the appointment of a receiver will
6 adversely affect employee morale and the provision of service.

7 **Q. What is your recommendation concerning Estill District's Application?**

8 A. The Commission should authorize Estill District's execution of the proposed
9 Promissory Note with Citizens Guaranty Bank to consolidate and refinance its
10 existing promissory notes with Citizens Guaranty Bank. The proposed restructuring
11 is for a lawful objective within Estill District's corporate purposes, is necessary,
12 appropriate for, and consistent with Estill District's proper performance of its service
13 to the public. It will not impair Estill District's ability to perform that service and is
14 reasonably necessary and appropriate for such purpose. It offers a viable means for
15 Estill District to improve its financial condition and continue to provide reliable water
16 service to the residents of Estill County.

17 I would also urge the Public Service Commission to render a decision on
18 Estill District's application no later than **December 27, 2018**. The current RD
19 poverty lending rate of 2.375 percent per annum will remain in effect only until
20 December 31, 2018. RD is required to review its poverty lending rate quarterly and
21 to revise it to reflect current market conditions. A higher interest rate could be placed
22 into effect on January 1, 2019. Final action on the proposed reamortization and
23 rescheduling will not occur until a decision on the proposed restructuring of the

1 Citizens Guaranty Bank loans is issued. A decision on this application by
2 December 27, 2018 will enable the execution of all documents prior to December 31,
3 2018 and ensure the present interest rate of 2.375 percent per annum.

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

5 A. Yes.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF ESTILL)

The undersigned, **Blain Click**, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

Blain Click
BLAIN CLICK

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 4th day of December, 2018.

[Signature]
Notary Public

Notary ID: 579303

My Commission Expires: 12 May 2021

EXHIBIT DBC-1

EXHIBIT DBC-1
ESTILL COUNTY WATER DISTRICT OPERATING INCOME
(2010-2017)

	2010	2011	2012	2013	2014	2015	2016	2017
Operating Revenues	\$1,425,638.00	\$1,412,462.00	\$1,427,040.00	\$1,398,022.00	\$1,563,001.00	\$1,540,531.00	\$1,572,899.00	\$1,611,195.00
Utility Operating Expenses	\$1,683,522.00	\$1,640,548.00	\$1,624,608.00	\$1,712,602.00	\$1,802,320.00	\$1,888,530.00	\$1,772,897.00	\$1,920,412.00
Utility Operating Revenues	(\$257,884.00)	(\$228,086.00)	(\$194,868.00)	(\$314,580.00)	(\$239,319.00)	(\$347,999.00)	(\$199,998.00)	(\$309,217.00)
Other Income & Deductions	\$9,894.00	\$1,141.00	\$2,188.00	\$327.00	\$271.00	\$234.00	\$101.00	\$154.00
Taxes Applicable	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interest Expense	\$131,036.00	\$127,513.00	\$123,763.00	\$121,434.00	\$141,284.00	\$176,238.00	\$156,281.00	\$153,185.00
Extraordinary Income	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Income	(\$379,026.00)	(\$354,458.00)	(\$316,443.00)	(\$435,687.00)	(\$380,332.00)	(\$524,003.00)	(\$356,178.00)	(\$462,248.00)

Source: Annual Reports to Kentucky Public Service Commission

EXHIBIT DBC-2

**ESTILL COUNTY WATER DISTRICT NO. 1'S
CURRENT LOANS WITH RURAL DEVELOPMENT**

Loan No.	Issuance Date	Maturity Date	Initial Amount	Interest Rate	Principal Remaining (12/31/2018)	Delinquent Interest	Last Payment
91-07	09/03/1992	02/01/2032	\$ 521,000	5.000%	\$ 303,000	\$21,406.89	08/01/2017
91-09	09/03/1992	02/01/2032	\$ 101,000	5.000%	\$ 59,600	\$ 4,208.84	08/01/2017
91-10	01/30/1997	02/01/2036	\$ 505,000	4.500%	\$ 352,000	\$22,371.41	08/01/2017
91-13	03/10/2000	02/01/2039	\$ 975,000	4.500%	\$ 744,000	\$47,465.16	08/01/2017
91-16	12/22/2006	08/01/2046	\$ 945,000	4.125%	\$ 815,000	\$47,480.86	08/01/2017
91-19	07/10/2014	08/01/2053	\$1,699,000	2.375%	\$1,615,000	\$35,159.37	02/01/2018

EXHIBIT 3

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ESTILL)	
COUNTY WATER DISTRICT NO. 1 FOR)	
AUTHORIZATION TO CONSOLIDATE ITS)	CASE NO. 2018-00276
EXISTING LOANS WITH CITIZENS)	
GUARANTY BANK)	

DIRECT TESTIMONY OF
ANTHONY HOLLINSWORTH
DIRECTOR, WATER AND WASTE DISPOSAL LOAN AND GRANT PROGRAM
RURAL DEVELOPMENT (KENTUCKY)

Filed: December 4, 2018

1 **Q. Please state your name and business address.**

2 A. My name is Anthony Hollinsworth. My business address is 771 Corporate Drive, No.
3 200, Lexington, KY 40503.

4 **Q. Who is your employer?**

5 A. I am employed with Rural Development, an agency of the U.S. Department of
6 Agriculture.

7 **Q. What is your position with Rural Development?**

8 A. I am Program Director for Rural Development's Water and Waste Disposal Loan and
9 Grant Program and Community Facilities Programs in Kentucky.

10 **Q. What are your duties as Program Director?**

11 A. One of my primary responsibilities is the supervision and management of the issuance
12 and servicing of Rural Development loans and grants to water and wastewater
13 systems in Kentucky.

14 **Q. How long have you been employed with Rural Development?**

15 A. I have served as Director of Water and Waste Disposal Loan and Grant Program and
16 Community Facilities Programs for approximately three years. I have served in Rural
17 Development's Kentucky State Office for approximately 14 years, and have been an
18 employee of the United States Department of Agriculture for 31 years.

19 **Q. Have you previously testified before the Kentucky Public Service Commission?**

20 A. No. I previously filed an affidavit with the Public Service Commission in Case No.
21 2018-00058 regarding the status of Estill County Water District's ("Estill District")
22 loans with Rural Development.

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

2 A. The purpose of my testimony is to describe the Kentucky State Office’s proposal for
3 the reamortization and rescheduling and Estill County Water District No. 1’s loans
4 with Rural Development and the significance of Estill District’s proposed
5 restructuring of its loans with Citizens Guaranty Bank of Irvine, Kentucky (“Citizens
6 Guaranty Bank”) to the State Office’s proposal.

7 **Q. Has Rural Development extended credit to Estill District?**

8 A. Yes. Rural Development has six loans with Estill District.

9 **Q. Are you familiar with these loans and their status?**

10 A. Yes. In my position as Director of Water and Waste Disposal Loan and Grant
11 Program, I am responsible to Rural Development’s National Office for the
12 administration and management of these loans.

13 **Q. Describe these loans and their current status.**

14 A. Table 1 below lists each of these loans, the date of original issuance, maturity date,
15 the original loan amount, interest rate, the principal balance as of December 31, 2018,
16 and interest owed as of December 31, 2018, and the date of the last payment on the
17 loan.

TABLE 1							
Loan No.	Issuance Date	Maturity Date	Initial Amount	Interest Rate	Principal Remaining 12/31/2018	Delinquent Interest	Last Payment
91-07	09/03/1992	02/01/2032	\$ 521,000	5.000%	\$ 303,000	\$21,406.89	08/01/2017
91-09	09/03/1992	02/01/2032	\$ 101,000	5.000%	\$ 59,600	\$ 4,208.84	08/01/2017
91-10	01/30/1997	02/01/2036	\$ 505,000	4.500%	\$ 352,000	\$22,371.41	08/01/2017
91-13	03/10/2000	02/01/2039	\$ 975,000	4.500%	\$ 744,000	\$47,465.16	08/01/2017
91-16	12/22/2006	08/01/2046	\$ 945,000	4.125%	\$ 815,000	\$47,480.86	08/01/2017
91-19	07/10/2014	08/01/2053	\$1,699,000	2.375%	\$1,615,000	\$35,159.37	02/01/2018

1 For each of the loans, Estill District issued revenue bonds to Rural
2 Development (or to its predecessor, the Farmers Home Administration) to evidence
3 the loans. For each bond issuance, Estill District adopted a bond ordinance that
4 authorized the issuance and pledged the water district's revenues as security for the
5 payment of the bonds. These Ordinances required Estill District to make principal
6 and interest payments each year on February 1 and August 1 during the life of the
7 bonds. They further provided that Estill District would be considered in default on its
8 obligations under the bond ordinance if it failed to pay the principal of the bonds
9 when it became due and payable or failed to pay to Rural Development any
10 installment of interest on the bonds within 30 days of the stated date for those interest
11 payments. These Ordinances further provided that, in the event of default, Rural
12 Development could bring action for the appointment of a receiver to administer Estill
13 District's water system on Estill District's behalf.

14 Estill District made timely payment of \$48,016.56 on February 1, 2018 on
15 Loan No. 91-19. It failed to make required principal and interest payments totaling
16 \$117,534.37 on its other loans.

17 As a result of Estill District's failure to make the required principal and
18 interest payments, Rural Development considered Estill District a delinquent
19 borrower. Initially, however, Rural Development deferred taking any action on the
20 delinquent payments. Estill District had informed the Kentucky State Office in
21 December 2017 that it was attempting to obtain a loan from the Kentucky Rural
22 Water Finance Corporation ("KRWFC") to refinance all of its outstanding Rural
23 Development loans with the exception of Loan 91-19. On February 1, 2018, Estill

1 District was still attempting to obtain this loan. When the Kentucky Public Service
2 Commission in March 2018 denied Estill District's application for authorization to
3 enter such a loan and KRWFC withdrew its loan offer, Estill District advised the
4 Kentucky State Office that it could not make the required payments.

5 Rural Development currently considers Estill District a delinquent borrower
6 on all Rural Development loans.¹ Estill District is not incurring any additional
7 penalties at this time as a result of its failure to make timely payment on its loans;
8 however, it is incurring additional interest charges for the scheduled principal
9 payments that it failed to make. If the account is not paid current and Rural
10 Development is forced to take legal action, Estill District could incur additional
11 charges.

12 **Q. What action did Rural Development take after being advised that Estill District**
13 **could not make the required payments?**

14 A. Rural Development Staff Instructions require Rural Development Staff to meet with a
15 delinquent borrower and attempt to develop a workout agreement to eliminate the
16 delinquency. This workout agreement must include specific actions by the borrower
17 within a specified time period.

18 . If the delinquent account cannot be paid current through a workout agreement,
19 Rural Development Staff Instructions generally provide only one form of relief for
20 delinquent borrowers – debt reamortization. Under this relief, Rural Development
21 will recalculate the principal and interest unpaid balances over the remaining life of
22 the delinquent loan at the loan's existing interest rate. Since the delinquent interest

¹ As noted previously, all of Estill District's bond ordinances required an interest payment on August 1, 2018. Estill District failed to make this required interest payment on all Rural Development loans, including Loan No. 91-19. As a result, Rural Development considers Loan No. 91-19 to be also delinquent.

1 will be capitalized and added back to the loan principal, and since the interest rate and
2 final maturity will be unchanged, the payments will necessarily increase. This relief,
3 however, is only available if the delinquent debtor can demonstrate that it has
4 sufficient cash flow to meet the revised payment schedule and the reserve
5 requirements of the loan(s).

6 The Kentucky State Office determined that loan reamortization alone would
7 not be sufficient to enable Estill District to meet its debt service obligations. Our
8 review of Estill District's financial records indicated that Estill District lacks
9 sufficient cash flow to meet any revised payment schedule based solely on the
10 reamortization of the Rural Development loans.

11 Rural Development Staff Instructions permit a loan reamortization and
12 rescheduling with an interest rate adjustment for a borrower that is seriously
13 delinquent in its loan payments. This remedy is available only if the borrower has
14 exhausted all other available servicing options, is experiencing severe hardship, has
15 acted in good faith in exploring all other service options, and has sufficient cash flow
16 to meet loan payments under the new schedule and at the adjusted interest rate.

17 After discussions with Estill District's representatives about restructuring
18 Estill District's loans with Rural Development, the Kentucky State Office in late June
19 2018 submitted to Rural Development's National Office a request to reamortize Estill
20 District's loans with an interest rate adjustment to Rural Development's current
21 poverty rate (2.375 percent per annum) and to reschedule the loans to 40 years. On
22 October 15, 2018, Rural Development's Acting Administrator approved the request.

1 **Q. Describe the State Office's Proposal.**

2 A. Under the terms of the State Office proposal, Estill District will issue six series of
3 replacement bonds to replace and substitute for the existing outstanding bonds held
4 by Rural Development. The amount of each replacement series will be equal to the
5 remaining principal and accrued interest on the series that it replaces. Each bond
6 series will mature 40 years after the date of substitution. Under the Rural
7 Development's current poverty interest rate of 2.375 percent, the total annual
8 principal and interest payment for the replacement bonds will be \$158,642 throughout
9 the life of the replacement bonds. A copy of the proposed amortization schedule is
10 attached to my testimony as Exhibit AH-1. Under the existing Rural Development
11 loans, Estill District's average annual debt service payment for the five year period
12 from 2019 to 2023 would have been \$239,169. The annual debt service amount under
13 the State Office proposal, therefore, represents a reduction of approximately \$80,527
14 in Estill District's annual debt service payment.

15 **Q. Does the State Office proposal contain any conditions that Estill District must**
16 **meet?**

17 A. Yes. As I have already mentioned, prior to the State Office's discussions with Estill
18 District's representatives, it reviewed Estill District's books and prepared a budget
19 based upon Estill District's expected costs. Based upon this review, we determined
20 that Estill District would have sufficient cash flow to meet the debt service payments
21 under the reamortization and rescheduling proposal only if Estill District's loans to
22 Citizens Guaranty Bank were restructured and spread out over a ten-year period at an
23 interest rate not to exceed 3.85 percent per annum.. Of particular concern to Rural

1 Development were the balloon payments on the three outstanding Citizens Guaranty
2 Bank loans, which totaled \$231,785 and which would become due between January
3 31, 2019 and February 10, 2021. Our cash flow calculations assumed annual debt
4 service payments on the Citizens Guaranty Bank would not exceed \$32,004. Our
5 cash flow calculations, which were submitted as part of the State Office proposal to
6 Rural Development's National Office, are attached to my testimony as Exhibit AH-2.
7 We advised Estill District that the State Office proposal could only be submitted if the
8 Citizens Guaranty Bank loans were renegotiated.

9 **Q. Are you familiar with the terms that Estill District negotiated with Citizens**
10 **Guaranty Bank regarding those loans?**

11 A. Yes. Citizens Guaranty Bank agreed to consolidate its existing loans into a single
12 loan under the following terms: The consolidated loan would have an initial interest
13 rate of 3.00 percent per annum and be payable over a period not to exceed 10 years.
14 The interest rate would be subject to adjustment to the current market rate of interest
15 on the third and seventh anniversaries of its execution. The adjusted interest rate,
16 however, could not exceed the interest rate on two-year U.S. Government Treasury
17 Notes auctioned most recent to the loan anniversary date plus 1.5 percent and cannot
18 be lower than three percent. The loan would be secured in the same manner as the
19 existing loans. Estill District would have the right to retire the loan in advance
20 without penalty.

21 **Q. Does Estill District's proposed restructuring of its loans with Citizens Guaranty**
22 **Bank meet the State Office's conditions?**

1 A. Yes. Estill District's monthly payment under the proposed loan will be significantly
2 less than its total payment under its current loans with Citizen Guaranty Bank. Estill
3 District currently makes total monthly payments to Citizens Guaranty Bank of
4 \$5,471.12. Under the proposed loan, Estill District will make an estimated monthly
5 payment of \$2,305.03 – a reduction of \$3,166.09. The estimated annual debt service
6 on these loans will be approximately \$27,661, which is less than assumed in the State
7 Office's cash flow calculations. Furthermore, the proposed restructuring eliminates
8 the balloon payments required by the existing Citizens Guaranty Bank loans

9 **Q. Does the State Office have any concerns regarding the interest rate adjustment**
10 **provisions in the proposed restructured loan?**

11 A. No. The adjustments occur three years into the loan and thus allow Estill District
12 some time to address its unaccounted for water problems. The restructured loan
13 places reasonable limits on any interest rate adjustment. Moreover, the first
14 adjustment is scheduled to occur after Estill District has retired its KRWFC loan, thus
15 making some additional funds available to address any increase in the debt service
16 payment on the Citizens Guaranty Bank loan.

17 **Q. What will happen if the Citizens Guaranty Bank restructuring fails to occur?**

18 A. The proposed reamortization and rescheduling will not proceed unless the existing
19 Citizens Guaranty Bank loans are restructured. The State Office proposal is premised
20 upon Estill District having a cash flow that will allow it to meet the revised debt
21 service payment schedule. With the existing Citizens Guaranty Bank loans, Estill
22 District cannot achieve that cash flow.

1 If the State Office proposal is not implemented, and Estill District does not
2 make current the delinquent loans, Rural Development will report Estill District as a
3 delinquent borrower to the Treasury Offset Program. Once a delinquent borrower is
4 reported to the Treasury Offset Program, the Treasury Department will withhold any
5 federal funds to which the delinquent borrower is entitled to offset amounts owed to
6 the U.S. Government. Potential funds subject to offset include loans and grants from
7 such federal agencies as Rural Development, the Environmental Protection Agency,
8 and the Appalachian Regional Commission.

9 In addition to potential offsets of federal funds, a delinquent Rural
10 Development borrower will be ineligible for further federal loans and grants while the
11 delinquency exists. 31 U.S.C. § 3720B(a) provides:

12 Unless this subsection is waived by the head of a Federal
13 agency, a person may not obtain any Federal financial
14 assistance in the form of a loan (other than a disaster loan or a
15 marketing assistance loan or loan deficiency payment under
16 subtitle C of the Agricultural Market Transition Act (7 U.S.C.
17 7231 et seq.)) or loan insurance or guarantee administered by
18 the agency if the person has an outstanding debt (other than a
19 debt under the Internal Revenue Code of 1986) with any
20 Federal agency which is in a delinquent status, as determined
21 under standards prescribed by the Secretary of the Treasury.

22 If Rural Development determines that efforts to service a delinquent loan will
23 not achieve the objective of the loan and a voluntary sale of the property cannot be
24 accomplished, it can commence legal action to obtain the appointment of a receiver to
25 operate the property of the delinquent borrower for the benefit of the bondholders.

1 **Q. Do you have any additional information to provide to the Public Service**
2 **Commission?**

3 A. Yes. I would urge the Public Service Commission to render a decision on Estill
4 District's application no later than **December 27, 2018**. The current Rural
5 Development poverty lending rate of 2.375 percent per annum will remain in effect
6 only until December 31, 2018. Rural Development is required to review its poverty
7 lending rate quarterly and to revise it to reflect current market conditions. A higher
8 interest rate could be placed into effect on January 1, 2019. Final action on the
9 proposed reamortization and rescheduling will not occur until a decision on the
10 proposed restructuring of the Citizen Guaranty Bank loans is issued. A decision on
11 this application by December 27, 2018 will enable the execution of all documents
12 prior to December 31, 2018 and ensure the present interest rate of 2.375 percent per
13 annum.


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

15 A. Yes.

VERIFICATION


COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

The undersigned, **Anthony Hollinsworth**, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



ANTHONY HOLLINSWORTH

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 3rd day of December, 2018.



Notary Public

Notary ID: 579303

My Commission Expires: 12 May 2021

EXHIBIT AH-1

Annual Amortization Factor & Amortization Schedule			
Enter Name of the Borrower Here			
\$	4,066,692.53	Loan Amount	
	2.375%	Interest Rate (entered as a percentage i.e. 3.625%)	
	40	Term	
	0	# of Years of Principal Deferral (Select from drop-down)	
	40	Amortization Period	
	1	Payments per Year	
	39.01	Amortization Factor	
\$	158,642.00	Payment	
	12/31/2018	Date of Loan Closing	
	Payment	Interest	Principal
12/31/2019	\$ 96,583.95	\$ 62,058.05	
12/31/2020	\$ 95,370.64	\$ 63,271.36	
12/31/2021	\$ 93,607.37	\$ 65,034.63	
12/31/2022	\$ 92,062.80	\$ 66,579.20	
12/31/2023	\$ 90,481.55	\$ 68,160.45	
12/31/2024	\$ 89,106.19	\$ 69,535.81	
12/31/2025	\$ 87,211.26	\$ 71,430.74	
12/31/2026	\$ 85,514.78	\$ 73,127.22	
12/31/2027	\$ 83,778.01	\$ 74,863.99	
12/31/2028	\$ 82,224.65	\$ 76,417.35	
12/31/2029	\$ 80,185.08	\$ 78,456.92	
12/31/2030	\$ 78,321.72	\$ 80,320.28	
12/31/2031	\$ 76,414.12	\$ 82,227.88	
12/31/2032	\$ 74,665.21	\$ 83,976.79	
12/31/2033	\$ 72,466.76	\$ 86,175.24	
12/31/2034	\$ 70,420.09	\$ 88,221.91	
12/31/2035	\$ 68,324.82	\$ 90,317.18	
12/31/2036	\$ 66,361.11	\$ 92,280.89	
12/31/2037	\$ 63,988.12	\$ 94,653.88	
12/31/2038	\$ 61,740.09	\$ 96,901.91	
12/31/2039	\$ 59,438.67	\$ 99,203.33	
12/31/2040	\$ 57,238.98	\$ 101,403.02	
12/31/2041	\$ 54,674.27	\$ 103,967.73	
12/31/2042	\$ 52,205.04	\$ 106,436.96	
12/31/2043	\$ 49,677.16	\$ 108,964.84	
12/31/2044	\$ 47,218.25	\$ 111,423.75	
12/31/2045	\$ 44,442.93	\$ 114,199.07	
12/31/2046	\$ 41,730.70	\$ 116,911.30	
12/31/2047	\$ 38,954.06	\$ 119,687.94	
12/31/2048	\$ 36,210.40	\$ 122,431.60	
12/31/2049	\$ 33,203.72	\$ 125,438.28	
12/31/2050	\$ 30,224.56	\$ 128,417.44	
12/31/2051	\$ 27,174.65	\$ 131,467.35	

12/31/2052	\$	24,118.19	\$	134,523.81
12/31/2053	\$	20,857.36	\$	137,784.64
12/31/2054	\$	17,584.97	\$	141,057.03
12/31/2055	\$	14,234.87	\$	144,407.13
12/31/2056	\$	10,834.80	\$	147,807.20
12/31/2057	\$	7,294.77	\$	151,347.23
12/31/2058	\$	3,700.28	\$	154,941.72
12/31/2059	\$	20.41	\$	158,621.59
12/31/2060	\$	-	\$	-
12/31/2061	\$	-	\$	-
12/31/2062	\$	-	\$	-
12/31/2063	\$	-	\$	-
12/31/2064	\$	-	\$	-
12/31/2065	\$	-	\$	-
12/31/2066	\$	-	\$	-
12/31/2067	\$	-	\$	-
12/31/2068	\$	-	\$	-
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12/31/2088	\$	-	\$	-
12/31/2089	\$	-	\$	-
12/31/2090	\$	-	\$	-
12/31/2091	\$	-	\$	-
12/31/2092	\$	-	\$	-
12/31/2093	\$	-	\$	-
12/31/2094	\$	-	\$	-
12/31/2095	\$	-	\$	-
12/31/2096	\$	-	\$	-
12/31/2097	\$	-	\$	-
12/31/2098	\$	-	\$	-

EXHIBIT AH-2

OPERATING BUDGET

Name: Estill Coutry Water District		Address: 76 Cedar Grove Road, Irvine			
Applicant Fiscal Year: From: 1-Jan ##### 30-Jun		County: Estill		State (Including ZIP Code) KY 42728	
Year:					2018
Operating Income:		(1)	(2)	(3)	(4)
1	Water sales				1,770,926
2					
3	tower rental & miscellaneous				65,076
4					
5					
6					
7					
8					
9					
10					
11					
12					
13	Less: Allowances and Deductions				
Total Operating Income (Add lines 1 through 13)		\$0	\$0	\$0	\$0
Operating Expenses:					
1	Contract Water Purchase				748,000
2	Salaries/Benefits				501,000
3	Commissioner fees				18,000
4	Supplies				80,500
5	Transportation costs				26,500
6	Insurance				25,700
7	Accounting, legal, etc.				45,000
8	Utilities				90,000
9	Regulatory fees				4,000
10	Dues & Subscriptions				3,900
11	Penalties				6,200
12	Advertising				500
13	Office costs/Postage				20,800
14	uniforms				2,500
15	repairs/Upkeep				25,000
16	Bank fees & misc.				5,250
17					
18					
19					
20	<i>Depreciation</i>				
Total Operating Expense (Add lines 1 through 20)		\$0	\$0	\$0	\$0
Net Operating Income (Loss) (Oper. Income - Oper. Expense)		\$0	\$0	\$0	\$0
Non-Operating Income					
1					
2					
Total Non-Operating Income (Add lines 1 through 3)		\$0	\$0	\$0	\$0
Net Income (Loss) (Total Income - Total Expense)		\$0	\$0	\$0	\$0

Budget and Projected Cash Flow Approved by Governing Body

Attest: _____ Secretary _____ Date
 _____ Appropriate Official _____ Date

According to the paperwork Reduction Act of 1995, an Agency may not conduct or sponsor, and a person is not required to a respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information is estimated to average 5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PROJECTED CASH FLOW

Year (from Schedule 1)	0	0	0	0	2018
A. Total Net Income from Schedule 1 ADD	\$0	\$0	\$0	\$0	\$233,152
B. Expenses not Requiring Cash:					
1. Depreciation	0	0	0	0	0
2. Others: _____					
C. Cash Provided from:					
1. Proceeds from RD loan/grant _____					
2. Proceeds from others _____					
3. Increase (Decrease) in Accounts Payable, Accruals, Current Liabilities _____					
4. Decrease (Increase) in Accounts Receivable, Inventory, Current Assets _____					
5. Other: _____					
6 _____					
D. Total all A, B, and C items	\$0	\$0	\$0	\$0	\$233,152
E. Less : Cash Expended for:					
1. All construction, Equipment, and New Capital Items (purchased with loan/grant funds) _____					
2. Replacement and Additions _____					
3. Principal & Interest (restructured RUS loan) _____					156,362
4. Principal & Interest (KY Rural Water) _____					18,203
5. Other: Citizens Guar Bank _____					32,004
6. Total (E1 through E5) _____	\$0	\$0	\$0	\$0	\$206,569
F. Beginning Cash Balances		\$0	\$0	\$0	\$0
G. Ending Cash Balances (D minus E6 plus F)	\$0	\$0	\$0	\$0	\$26,583
Item G Cash Balances Composed of:					
Construction Account _____					
Revenue Account _____					
Debt payment Account _____					
O&M Account _____					946
Reserve Account _____					
Funded Depreciation Account _____					
Others: <u>Short Lived Asset Reserve</u> _____					10,000
<u>RD 10% debt service reserve</u> _____					15,637
Total - Agrees with Item G	\$0	\$0	\$0	\$0	\$26,583

EXHIBIT 4

RURAL DEVELOPMENT LOAN 91-07



United States Department of Agriculture
 CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

Name of Borrower: Estill County Water District			
Amount of Loan	521000	Annual Interest Rate	0.05
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

Year	Period	Number	Payment	Interest	Principal	Balance
1993	1	1	26050	26050	0	521000
1994	1	2	26050	26050	0	521000
1995	1	3	31050	26050	5000	516000
1996	1	4	30800	25800	5000	511000
1997	1	5	31050	25550	5500	505500
1998	1	6	30775	25275	5500	500000
1999	1	7	31000	25000	6000	494000
2000	1	8	30700	24700	6000	488000
2001	1	9	30900	24400	6500	481500
2002	1	10	31075	24075	7000	474500
2003	1	11	30725	23725	7000	467500
2004	1	12	30875	23375	7500	460000
2005	1	13	31000	23000	8000	452000
2006	1	14	31100	22600	8500	443500
2007	1	15	30675	22175	8500	435000
2008	1	16	30750	21750	9000	426000
2009	1	17	30800	21300	9500	416500
2010	1	18	30825	20825	10000	406500
2011	1	19	30825	20325	10500	396000
2012	1	20	30800	19800	11000	385000
2013	1	21	30750	19250	11500	373500
2014	1	22	30675	18675	12000	361500
2015	1	23	31075	18075	13000	348500
2016	1	24	30925	17425	13500	335000
2017	1	25	30750	16750	14000	321000
2018	1	26	31050	16050	15000	306000
2019	1	27	30800	15300	15500	290500
2020	1	28	31025	14525	16500	274000
2021	1	29	30700	13700	17000	257000
2022	1	30	30850	12850	18000	239000
2023	1	31	30950	11950	19000	220000
2024	1	32	31000	11000	20000	200000
2025	1	33	31000	10000	21000	179000
2026	1	34	30950	8950	22000	157000
2027	1	35	30850	7850	23000	134000
2028	1	36	30700	6700	24000	110000
2029	1	37	31000	5500	25500	84500
2030	1	38	30725	4225	26500	58000
2031	1	39	30900	2900	28000	30000
2032	1	40	31500	1500	30000	0
TOTALS			\$1,226,000.00	\$705,000.00	\$521,000.00	

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RURAL DEVELOPMENT LOAN 91-09



United States Department of Agriculture
CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

Name of Borrower: Estill County Water District			
Amount of Loan	101000	Annual Interest Rate	0.05
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

Year	Period	Number	Payment	Interest	Principal	Balance
1993	1	1	5050	5050	0	101000
1994	1	2	5050	5050	0	101000
1995	1	3	6050	5050	1000	100000
1996	1	4	6000	5000	1000	99000
1997	1	5	5950	4950	1000	98000
1998	1	6	5900	4900	1000	97000
1999	1	7	5850	4850	1000	96000
2000	1	8	5800	4800	1000	95000
2001	1	9	5750	4750	1000	94000
2002	1	10	6200	4700	1500	92500
2003	1	11	6125	4625	1500	91000
2004	1	12	6050	4550	1500	89500
2005	1	13	5975	4475	1500	88000
2006	1	14	5900	4400	1500	86500
2007	1	15	5825	4325	1500	85000
2008	1	16	5750	4250	1500	83500
2009	1	17	6175	4175	2000	81500
2010	1	18	6075	4075	2000	79500
2011	1	19	5975	3975	2000	77500
2012	1	20	5875	3875	2000	75500
2013	1	21	5775	3775	2000	73500
2014	1	22	6175	3675	2500	71000
2015	1	23	6050	3550	2500	68500
2016	1	24	5925	3425	2500	66000
2017	1	25	5800	3300	2500	63500
2018	1	26	6175	3175	3000	60500
2019	1	27	6025	3025	3000	57500
2020	1	28	5875	2875	3000	54500
2021	1	29	6225	2725	3500	51000
2022	1	30	6050	2550	3500	47500
2023	1	31	5875	2375	3500	44000
2024	1	32	6200	2200	4000	40000
2025	1	33	6000	2000	4000	36000
2026	1	34	5800	1800	4000	32000
2027	1	35	6100	1600	4500	27500
2028	1	36	5875	1375	4500	23000
2029	1	37	6150	1150	5000	18000
2030	1	38	5900	900	5000	13000
2031	1	39	6150	650	5500	7500
2032	1	40	7875	375	7500	0
TOTALS			\$239,325.00	\$138,325.00	\$101,000.00	

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RURAL DEVELOPMENT LOAN 91-10



United States Department of Agriculture
 CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

Name of Borrower: Estill County Water District			
Amount of Loan	505000	Annual Interest Rate	0.045
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

Year	Period	Number	Payment	Interest	Principal	Balance
1997	1	1	22725	22725	0	505000
1998	1	2	22725	22725	0	505000
1999	1	3	28225	22725	5500	499500
2000	1	4	27977	22477	5500	494000
2001	1	5	28230	22230	6000	488000
2002	1	6	27960	21960	6000	482000
2003	1	7	28190	21690	6500	475500
2004	1	8	27897	21397	6500	469000
2005	1	9	28105	21105	7000	462000
2006	1	10	27790	20790	7000	455000
2007	1	11	27975	20475	7500	447500
2008	1	12	28137	20137	8000	439500
2009	1	13	27777	19777	8000	431500
2010	1	14	27917	19417	8500	423000
2011	1	15	28035	19035	9000	414000
2012	1	16	28130	18630	9500	404500
2013	1	17	28202	18202	10000	394500
2014	1	18	27752	17752	10000	384500
2015	1	19	27802	17302	10500	374000
2016	1	20	27830	16830	11000	363000
2017	1	21	27835	16335	11500	351500
2018	1	22	27817	15817	12000	339500
2019	1	23	27777	15277	12500	327000
2020	1	24	28215	14715	13500	313500
2021	1	25	28107	14107	14000	299500
2022	1	26	27977	13477	14500	285000
2023	1	27	27825	12825	15000	270000
2024	1	28	28150	12150	16000	254000
2025	1	29	27930	11430	16500	237500
2026	1	30	28187	10687	17500	220000
2027	1	31	27900	9900	18000	202000
2028	1	32	28090	9090	19000	183000
2029	1	33	27735	8235	19500	163500
2030	1	34	27857	7357	20500	143000
2031	1	35	27935	6435	21500	121500
2032	1	36	27967	5467	22500	99000
2033	1	37	27955	4455	23500	75500
2034	1	38	27897	3397	24500	51000
2035	1	39	27795	2295	25500	25500
2036	1	40	28647	1147	25500	0
TOTALS			\$1,106,979.00	\$601,979.00	\$505,000.00	

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

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RURAL DEVELOPMENT LOAN 91-13



United States Department of Agriculture
CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

Name of Borrower: Estill County Water District			
Amount of Loan	975000	Annual Interest Rate	0.045
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

Year	Period	Number	Payment	Interest	Principal	Balance
2000	1	1	43875	43875	0	975000
2001	1	2	43875	43875	0	975000
2002	1	3	53875	43875	10000	965000
2003	1	4	53925	43425	10500	954500
2004	1	5	53952	42952	11000	943500
2005	1	6	53957	42457	11500	932000
2006	1	7	53940	41940	12000	920000
2007	1	8	53900	41400	12500	907500
2008	1	9	53837	40837	13000	894500
2009	1	10	54252	40252	14000	880500
2010	1	11	54122	39622	14500	866000
2011	1	12	53970	38970	15000	851000
2012	1	13	53795	38295	15500	835500
2013	1	14	54097	37597	16500	819000
2014	1	15	53855	36855	17000	802000
2015	1	16	54090	36090	18000	784000
2016	1	17	53780	35280	18500	765500
2017	1	18	53947	34447	19500	746000
2018	1	19	54070	33570	20500	725500
2019	1	20	54147	32647	21500	704000
2020	1	21	54180	31680	22500	681500
2021	1	22	54167	30667	23500	658000
2022	1	23	54110	29610	24500	633500
2023	1	24	54007	28507	25500	608000
2024	1	25	53860	27360	26500	581500
2025	1	26	54167	26167	28000	553500
2026	1	27	53907	24907	29000	524500
2027	1	28	54102	23602	30500	494000
2028	1	29	54230	22230	32000	462000
2029	1	30	53790	20790	33000	429000
2030	1	31	53806	19305	34500	394500
2031	1	32	54252	17752	36500	358000
2032	1	33	54110	16110	38000	320000
2033	1	34	53900	14400	39500	280500
2034	1	35	54122	12622	41500	239000
2035	1	36	54255	10755	43500	195500
2036	1	37	53797	8797	45000	150500
2037	1	38	54272	6772	47500	103000
2038	1	39	54135	4635	49500	53500
2039	1	40	55907	2407	53500	0
TOTALS			\$2,142,336.00	\$1,167,336.00	\$975,000.00	

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RURAL DEVELOPMENT LOAN 91-16



United States Department of Agriculture
 CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

Name of Borrower: Estill County Water District			
Amount of Loan	945000	Annual Interest Rate	0.04125
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units.	1

Year	Period	Number	Payment	Interest	Principal	Balance
2007	1	1	38981	38981	0	945000
2008	1	2	38981	38981	0	945000
2009	1	3	49481	38981	10500	934500
2010	1	4	49548	38548	11000	923500
2011	1	5	49594	38094	11500	912000
2012	1	6	49620	37620	12000	900000
2013	1	7	49625	37125	12500	887500
2014	1	8	49609	36609	13000	874500
2015	1	9	49573	36073	13500	861000
2016	1	10	49516	35516	14000	847000
2017	1	11	49438	34938	14500	832500
2018	1	12	49840	34340	15500	817000
2019	1	13	49701	33701	16000	801000
2020	1	14	49541	33041	16500	784500
2021	1	15	49860	32360	17500	767000
2022	1	16	49638	31638	18000	749000
2023	1	17	49896	30896	19000	730000
2024	1	18	49612	30112	19500	710500
2025	1	19	49808	29308	20500	690000
2026	1	20	49462	28462	21000	669000
2027	1	21	49596	27596	22000	647000
2028	1	22	49688	26688	23000	624000
2029	1	23	49740	25740	24000	600000
2030	1	24	49750	24750	25000	575000
2031	1	25	49718	23718	26000	549000
2032	1	26	49646	22646	27000	522000
2033	1	27	49532	21532	28000	494000
2034	1	28	49877	20377	29500	464500
2035	1	29	49660	19160	30500	434000
2036	1	30	49902	17902	32000	402000
2037	1	31	49582	16582	33000	369000
2038	1	32	49721	15221	34500	334500
2039	1	33	49798	13798	36000	298500
2040	1	34	49813	12313	37500	261000
2041	1	35	49766	10766	39000	222000
2042	1	36	49657	9157	40500	181500
2043	1	37	49486	7486	42000	139500
2044	1	38	49754	5754	44000	95500
2045	1	39	49439	3939	45500	50000
2046	1	40	52062	2062	50000	0
TOTALS			\$1,967,511.00	\$1,022,511.00	\$945,000.00	

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RURAL DEVELOPMENT LOAN 91-19



United States Department of Agriculture
 CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

Name of Borrower: Estill County Water District			
Amount of Loan	1699000	Annual Interest Rate	0.02375
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	No
Principal Payment Units	500	Interest Payment Units	1

Year	Period	Number	Payment	Interest	Principal	Balance
2014	1	1	40351	40351	0	1699000
2015	1	2	40351	40351	0	1699000
2016	1	3	68351	40351	28000	1671000
2017	1	4	68186	39686	28500	1642500
2018	1	5	68509	39009	29500	1613000
2019	1	6	68308	38308	30000	1583000
2020	1	7	68596	37596	31000	1552000
2021	1	8	68360	36860	31500	1520500
2022	1	9	68611	36111	32500	1488000
2023	1	10	68340	35340	33000	1455000
2024	1	11	68556	34556	34000	1421000
2025	1	12	68248	33748	34500	1386500
2026	1	13	68429	32929	35500	1351000
2027	1	14	68586	32086	36500	1314500
2028	1	15	68219	31219	37000	1277500
2029	1	16	68340	30340	38000	1239500
2030	1	17	68438	29438	39000	1200500
2031	1	18	68511	28511	40000	1160500
2032	1	19	68561	27561	41000	1119500
2033	1	20	68588	26588	42000	1077500
2034	1	21	68590	25590	43000	1034500
2035	1	22	68569	24569	44000	990500
2036	1	23	68524	23524	45000	945500
2037	1	24	68455	22455	46000	899500
2038	1	25	68363	21363	47000	852500
2039	1	26	68246	20246	48000	804500
2040	1	27	68606	19106	49500	755000
2041	1	28	68431	17931	50500	704500
2042	1	29	68231	16731	51500	653000
2043	1	30	68508	15508	53000	600000
2044	1	31	68250	14250	54000	546000
2045	1	32	68467	12967	55500	490500
2046	1	33	68149	11649	56500	434000
2047	1	34	68307	10307	58000	376000
2048	1	35	68430	8930	59500	316500
2049	1	36	68516	7516	61000	255500
2050	1	37	68568	6068	62500	193000
2051	1	38	68583	4583	64000	129000
2052	1	39	68563	3063	65500	63500
2053	1	40	65008	1508	63500	0
TOTALS			\$2,677,803.00	\$978,803.00	\$1,699,000.00	

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EXHIBIT 5

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM, SERIES 2002

Borrower:	Estill County Water District #1 - Refunding of 1984 Bonds
Dated Date:	07/31/02

Borrower Payment Schedule

Payment Date	Principal	Interest	Trustee Fees	Total	Fiscal Total
07/31/02					
01/01/03	8,000.00	4,673.57	0.00	12,673.57	
07/01/03	0.00	4,521.75	250.00	4,771.75	17,445.32
01/01/04	10,000.00	4,521.75	0.00	14,521.75	
07/01/04	0.00	4,364.25	250.00	4,614.25	19,136.00
01/01/05	10,000.00	4,364.25	0.00	14,364.25	
07/01/05	0.00	4,206.75	250.00	4,456.75	18,821.00
01/01/06	11,000.00	4,206.75	0.00	15,206.75	
07/01/06	0.00	4,033.50	250.00	4,283.50	19,490.25
01/01/07	11,000.00	4,033.50	0.00	15,033.50	
07/01/07	0.00	3,860.25	250.00	4,110.25	19,143.75
01/01/08	11,000.00	3,860.25	0.00	14,860.25	
07/01/08	0.00	3,673.25	250.00	3,923.25	18,783.50
01/01/09	12,000.00	3,673.25	0.00	15,673.25	
07/01/09	0.00	3,454.25	250.00	3,704.25	19,377.50
01/01/10	12,000.00	3,454.25	0.00	15,454.25	
07/01/10	0.00	3,227.75	250.00	3,477.75	18,932.00
01/01/11	13,000.00	3,227.75	0.00	16,227.75	
07/01/11	0.00	2,974.25	250.00	3,224.25	19,452.00
01/01/12	12,000.00	2,974.25	0.00	14,974.25	
07/01/12	0.00	2,732.75	250.00	2,982.75	17,957.00
01/01/13	12,000.00	2,732.75	0.00	14,732.75	
07/01/13	0.00	2,483.75	250.00	2,733.75	17,466.50
01/01/14	13,000.00	2,483.75	0.00	15,483.75	
07/01/14	0.00	2,214.00	250.00	2,464.00	17,947.75
01/01/15	14,000.00	2,214.00	0.00	16,214.00	
07/01/15	0.00	1,906.00	250.00	2,156.00	18,370.00
01/01/16	15,000.00	1,906.00	0.00	16,906.00	
07/01/16	0.00	1,588.50	250.00	1,818.50	18,724.50
01/01/17	16,000.00	1,588.50	0.00	17,588.50	
07/01/17	0.00	1,200.50	250.00	1,450.50	19,019.00
01/01/18	16,000.00	1,200.50	0.00	17,200.50	
07/01/18	0.00	824.50	250.00	1,074.50	18,275.00
01/01/19	17,000.00	824.50	0.00	17,824.50	
07/01/19	0.00	416.50	250.00	666.50	18,491.00
01/01/20	17,000.00	416.50	0.00	17,416.50	
07/01/20	0.00	0.00	250.00	250.00	17,666.50
Totals	230,000.00	99,998.57	4,500.00	334,498.57	

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
9/2-1/3	1,600.00	934.71	2,534.71
2/3-7/3	833.33	753.63	1,586.96
8/3-1/4	833.33	753.63	1,586.96
2/4-7/4	833.33	727.38	1,560.71
8/4-1/5	833.33	727.38	1,560.71
2/5-7/5	916.67	701.13	1,617.79
8/5-1/6	916.67	701.13	1,617.79
2/6-7/6	916.67	672.25	1,588.92
8/6-1/7	916.67	672.25	1,588.92
2/7-7/7	916.67	643.38	1,560.04
8/7-1/8	916.67	643.38	1,560.04
2/8-7/8	1,000.00	612.21	1,612.21
8/8-1/9	1,000.00	612.21	1,612.21
2/9-7/9	1,000.00	575.71	1,575.71
8/9-1/10	1,000.00	575.71	1,575.71
2/10-7/10	1,083.33	537.96	1,621.29
8/10-1/11	1,083.33	537.96	1,621.29
2/11-7/11	1,000.00	495.71	1,495.71
8/11-1/12	1,000.00	495.71	1,495.71
2/12-7/12	1,000.00	455.46	1,455.46
8/12-1/13	1,000.00	455.46	1,455.46
2/13-7/13	1,083.33	413.96	1,497.29
8/13-1/14	1,083.33	413.96	1,497.29
2/14-7/14	1,166.67	369.00	1,535.67
8/14-1/15	1,166.67	369.00	1,535.67
2/15-7/15	1,250.00	317.67	1,567.67
8/15-1/16	1,250.00	317.67	1,567.67
2/16-7/16	1,333.33	261.42	1,594.75
8/16-1/17	1,333.33	261.42	1,594.75
2/17-7/17	1,333.33	200.08	1,533.42
8/17-1/18	1,333.33	200.08	1,533.42
2/18-7/18	1,416.67	137.42	1,554.08
8/18-1/19	1,416.67	137.42	1,554.08
2/19-7/19	1,416.67	69.42	1,486.08
8/19-1-20	1,416.67	69.42	1,486.08
2/20-7/20	0.00	-	-
Totals	230,000.00	99,998.57	329,998.57

EXHIBIT 6

EXHIBIT 6A

CITIZENS GUARANTY NOTE NO. 88196

AMORTIZATION SCHEDULE

Principal \$200,305.00	Loan Date 10-31-2013	Maturity 10-30-2017	Loan No 88196	Call / Coll 5	Account 10098348	Officer SLC	Initials
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40338-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

Disbursement Date: October 31, 2013
Interest Rate: 3.850

Repayment Schedule: Balloon
Calculation Method: 365/365 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	11-30-2013	2,427.34	633.84	1,793.50	198,511.50
2	12-30-2013	2,427.34	628.17	1,799.17	196,712.33
2013 TOTALS:		4,854.68	1,262.01	3,592.67	
3	01-30-2014	2,427.34	643.22	1,784.12	194,928.21
4	02-28-2014	2,427.34	596.27	1,831.07	193,097.14
5	03-30-2014	2,427.34	611.03	1,816.31	191,280.83
6	04-30-2014	2,427.34	625.46	1,801.88	189,478.95
7	05-30-2014	2,427.34	599.58	1,827.76	187,651.19
8	06-30-2014	2,427.34	613.59	1,813.75	185,837.44
9	07-30-2014	2,427.34	588.06	1,839.28	183,998.16
10	08-30-2014	2,427.34	601.65	1,825.69	182,172.47
11	09-30-2014	2,427.34	595.68	1,831.66	180,340.81
12	10-30-2014	2,427.34	570.67	1,856.67	178,484.14
13	11-30-2014	2,427.34	583.62	1,843.72	176,640.42
14	12-30-2014	2,427.34	558.96	1,868.38	174,772.04
2014 TOTALS:		29,128.08	7,187.79	21,940.29	
15	01-30-2015	2,427.34	571.48	1,855.86	172,916.18
16	02-28-2015	2,427.34	528.93	1,898.41	171,017.77
17	03-30-2015	2,427.34	541.17	1,886.17	169,131.60
18	04-30-2015	2,427.34	553.04	1,874.30	167,257.30
19	05-30-2015	2,427.34	529.27	1,898.07	165,359.23
20	06-30-2015	2,427.34	540.70	1,886.64	163,472.69
21	07-30-2015	2,427.34	517.29	1,910.05	161,562.64
22	08-30-2015	2,427.34	528.29	1,899.05	159,663.49
23	09-30-2015	2,427.34	522.08	1,905.26	157,758.23
24	10-30-2015	2,427.34	499.21	1,928.13	155,830.10
25	11-30-2015	2,427.34	509.64	1,917.80	153,912.30
26	12-30-2015	2,427.34	487.04	1,940.30	151,972.00
2015 TOTALS:		29,128.08	6,328.04	22,800.04	
27	01-30-2016	2,427.34	495.66	1,931.68	150,040.32
28	02-29-2016	2,427.34	473.49	1,953.85	148,086.47
29	03-30-2016	2,427.34	467.32	1,960.02	146,126.45
30	04-30-2016	2,427.34	476.51	1,950.83	144,175.62
31	05-30-2016	2,427.34	454.98	1,972.36	142,203.26
32	06-30-2016	2,427.34	463.71	1,963.63	140,239.63
33	07-30-2016	2,427.34	442.56	1,984.78	138,254.85
34	08-30-2016	2,427.34	450.84	1,976.50	136,278.35
35	09-30-2016	2,427.34	444.39	1,982.95	134,295.40
36	10-30-2016	2,427.34	423.80	2,003.54	132,291.85
37	11-30-2016	2,427.34	431.39	1,995.95	130,295.91
38	12-30-2016	2,427.34	411.18	2,016.16	128,279.75
2016 TOTALS:		29,128.08	5,435.83	23,692.25	
39	01-30-2017	2,427.34	419.38	2,007.96	126,271.79
40	02-28-2017	2,427.34	386.26	2,041.09	124,230.70
41	03-30-2017	2,427.34	393.11	2,034.23	122,196.47
42	04-30-2017	2,427.34	399.57	2,027.77	120,168.70
43	05-30-2017	2,427.34	380.26	2,047.08	118,121.62
44	06-30-2017	2,427.34	386.24	2,041.10	118,080.52
45	07-30-2017	2,427.34	367.32	2,060.02	114,020.50
46	08-30-2017	2,427.34	372.83	2,054.51	111,965.99
47	09-30-2017	2,427.34	366.11	2,061.23	109,904.76
48	10-30-2017	110,252.54	347.78	109,904.76	0.00
2017 TOTALS:		132,098.60	3,818.85	128,279.75	
TOTALS:		224,337.52	24,032.52	200,305.00	

NOTICE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

**PROMISSORY NOTE**

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$200,305.00	10-31-2013	10-30-2017	88196	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

Principal Amount: \$200,305.00

Interest Rate: 3.850%

Date of Note: October 31, 2013

PROMISE TO PAY. Estill Co Water District #1 ("Borrower") promises to pay to Citizens Guaranty Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of Two Hundred Thousand Three Hundred Five & 00/100 Dollars (\$200,305.00), together with interest on the unpaid principal balance from October 31, 2013, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.850% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 47 regular payments of \$2,427.34 each and one irregular last payment estimated at \$110,252.54. Borrower's first payment is due November 30, 2013, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on October 30, 2017, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any escrow or reserve account payments as required under any mortgage, deed of trust, or other security instrument or security agreement securing this Note; then to any late charges; and then to any unpaid collection costs. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Citizens Guaranty Bank, A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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

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

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether



**PROMISSORY NOTE
(Continued)**

Loan No: 88196

Page 2

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

COLLATERAL. Borrower acknowledges this Note is secured by All Accounts Receivable now owned or hereafter acquired in the operation of Estill County Water District #1.

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

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: Citizens Guaranty Bank A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.

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

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

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

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1



DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$200,305.00	10-31-2013	10-30-2017	88196	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

LOAN TYPE. This is a Fixed Rate (3.850%) Nondisclosable Loan to a Government Entity for \$200,305.00 due on October 30, 2017.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: Operating money.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$200,305.00 as follows:

Amount paid to Borrower directly:	\$200,000.00
\$200,000.00 Lender's Check #	
Other Charges Financed:	\$10.00
\$10.00 UCC Filing	
Total Financed Prepaid Finance Charges:	\$295.00
\$275.00 Commercial Loan Fee	
\$20.00 Loan Coupon Book	
Note Principal:	\$200,305.00

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED OCTOBER 31, 2013.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1



COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$200,305.00	10-31-2013	10-30-2017	88196	5	10098348	SLC	

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

Grantor: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

THIS COMMERCIAL SECURITY AGREEMENT dated October 31, 2013, is made and executed between Estill Co Water District #1 ("Grantor") and Citizens Guaranty Bank ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

All Accounts Receivable now owned or hereafter acquired in the operation of Estill County Water District #1

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

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

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and promises to Lender that:

Perfection of Security Interest. Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender.

Notices to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the structure of the entity Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's principal residence; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name will take effect until after Lender has received notice.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

Enforceability of Collateral. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any account becomes subject to a security interest in favor of Lender, the account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such Accounts. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

Location of the Collateral. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

Removal of the Collateral. Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

Title. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Loan No: 88196

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filed against the Collateral.

Inspection of Collateral. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized with Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, reasonable attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

Compliance with Governmental Requirements. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

Hazardous Substances. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify and defend shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

Maintenance of this Agreement. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not providing any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may be required. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

Application of Insurance Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Collateral if the estimated cost of repair or replacement exceeds 5000, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

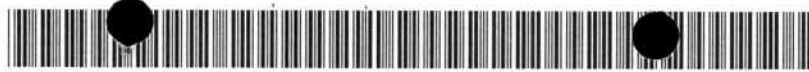
Insurance Reserves. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

Insurance Reports. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the value and property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the insured date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

Financing Statements. Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement.

GRANTOR'S RIGHT TO POSSESSION AND TO COLLECT ACCOUNTS. Until default and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

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

**COMMERCIAL SECURITY AGREEMENT
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DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

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

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

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

Insolvency. The insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Kentucky Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

Accelerate Indebtedness. Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

Assemble Collateral. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

Sell the Collateral. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Collect Revenues, Apply Accounts. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

Obtain Deficiency. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

Other Rights and Remedies. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

Election of Remedies. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

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

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

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

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

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anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

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

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

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

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not constitute a waiver of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

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

Power of Attorney. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

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

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

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

Waive Jury. All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

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

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

Borrower. The word "Borrower" means Estill Co Water District #1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

Default. The word "Default" means the Default set forth in this Agreement in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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

Grantor. The word "Grantor" means Estill Co Water District #1.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

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

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

Lender. The word "Lender" means Citizens Guaranty Bank, its successors and assigns.

Note. The word "Note" means the Note dated October 31, 2013 and executed by Estill Co Water District #1 in the principal amount of \$200,305.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments,



**COMMERCIAL SECURITY AGREEMENT
(Continued)**

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agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED OCTOBER 31, 2013.

GRANTOR:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1



BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$200,305.00	10-31-2013	10-30-2017	88196	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

THIS BUSINESS LOAN AGREEMENT dated October 31, 2013, is made and executed between Estill Co Water District #1 ("Borrower") and Citizens Guaranty Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of October 31, 2013, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until October 30, 2017.

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

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

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

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

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

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

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

Organization. Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 76 Cedar Grove Rd, Irvine, KY 40336-7697. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

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

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

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

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

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

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



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foreclosure or otherwise.

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

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

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

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

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

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

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

Financial Statements. Furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than sixty (60) days after the end of each fiscal year, Borrower's balance sheet and statement for the year ended, prepared by Borrower.

Tax Returns. As soon as available, but in no event later than sixty (60) days after the applicable filing date for the tax reporting period ended, Borrower's Federal and other governmental tax returns, prepared by a tax professional satisfactory to Lender.

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

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

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender has an interest or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after Lender sends written notice to Borrower or Grantor, as the case may be, demanding cure of such default: (1) cure the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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



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anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

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

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

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

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

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

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

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

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

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

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

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

Waive Jury. All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

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

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

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

Borrower. The word "Borrower" means Estill Co Water District #1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

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

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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

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

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

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



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

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

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

Lender. The word "Lender" means Citizens Guaranty Bank, its successors and assigns.

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

Note. The word "Note" means the Note dated October 31, 2013 and executed by Estill Co Water District #1 in the principal amount of \$200,305.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

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

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

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

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

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED OCTOBER 31, 2013.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

LENDER:

CITIZENS GUARANTY BANK

By: _____
Authorized Signer



NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$200,305.00	10-31-2013	10-30-2017	88196	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THE WRITTEN LOAN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

As used in this Notice, the following terms have the following meanings:

Loan. The term "Loan" means the following described loan: a Fixed Rate (3.850%) Nondisclosable Loan to a Government Entity for \$200,305.00 due on October 30, 2017.

Loan Agreement. The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

LOAN DOCUMENTS

Amortization Schedule
 Governmental Certificate: Estill Co Water District #1
 Customer Information Profile: William Beard
 Customer Information Profile: Greg A Wright
 KY Commercial Security Agreement: All Accounts Receivable now owned or hereafter acquired in the operation of Estill County Water District #1; owned by Estill Co Water District #1
 W-9 Request for Taxpayer ID Number and Certification: : Greg A Wright
 W-9 Request for Taxpayer ID Number and Certification: : Estill Co Water District #1

Disclosure of Right to Receive a Copy of an Appraisal
 Business Loan Agreement
 Customer Information Profile: Jerry M Arnold
 Promissory Note
 KY National UCC Financing Statement (Rev. 04/20/11): All Accounts; whether any of the foregoing is Disbursement Request and Authorization
 Notice of Final Agreement
 W-9 Request for Taxpayer ID Number and Certification: : William Beard
 W-9 Request for Taxpayer ID Number and Certification: : Jerry M Arnold

Parties. The term "Parties" means Citizens Guaranty Bank and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

Borrower: Estill Co Water District #1
Grantor(s): Estill Co Water District #1

Each Party who signs below, other than Citizens Guaranty Bank, acknowledges, represents, and warrants to Citizens Guaranty Bank that it has received, read and understood this Notice of Final Agreement. This Notice is dated October 31, 2013.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

LENDER:

CITIZENS GUARANTY BANK

X _____
Authorized Signer

EXHIBIT 6B

CITIZENS GUARANTY NOTE NO. 03387

AMORTIZATION SCHEDULE

Principal \$100,305.00	Loan Date 01-29-2015	Maturity 01-28-2019	Loan No 03387	Call / Coll 5	Account 10098348	Officer SLC	Initials
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

Disbursement Date: January 29, 2015
Interest Rate: 3.850

Repayment Schedule: Balloon
Calculation Method: 365/365 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	02-28-2015	1,215.44	317.40	898.04	99,406.96
2	03-28-2015	1,215.44	293.59	921.85	98,485.11
3	04-28-2015	1,215.44	322.03	893.41	97,591.70
4	05-28-2015	1,215.44	308.82	906.62	96,685.08
5	06-28-2015	1,215.44	316.15	899.29	95,785.79
6	07-28-2015	1,215.44	303.10	912.34	94,873.45
7	08-28-2015	1,215.44	310.22	905.22	93,968.23
8	09-28-2015	1,215.44	307.26	908.18	93,060.05
9	10-28-2015	1,215.44	294.48	920.96	92,139.09
10	11-28-2015	1,215.44	301.28	914.16	91,224.93
11	12-28-2015	1,215.44	288.67	926.77	90,298.16
2015 TOTALS:		13,369.84	3,363.00	10,006.84	
12	01-28-2016	1,215.44	294.58	920.88	89,377.28
13	02-28-2016	1,215.44	291.46	923.99	88,453.29
14	03-28-2016	1,215.44	269.83	946.61	87,507.68
15	04-28-2016	1,215.44	285.36	930.08	86,577.60
16	05-28-2016	1,215.44	273.22	942.22	85,635.38
17	06-28-2016	1,215.44	279.25	936.19	84,699.19
18	07-28-2016	1,215.44	267.29	948.15	83,761.04
19	08-28-2016	1,215.44	273.11	942.33	82,808.71
20	09-28-2016	1,215.44	270.03	946.41	81,863.30
21	10-28-2016	1,215.44	258.34	957.10	80,906.20
22	11-28-2016	1,215.44	263.83	951.61	79,954.59
23	12-28-2016	1,215.44	252.32	963.12	78,991.47
2016 TOTALS:		14,585.28	3,278.59	11,306.69	
24	01-28-2017	1,215.44	258.20	957.24	78,034.23
25	02-28-2017	1,215.44	255.16	960.28	77,073.95
26	03-28-2017	1,215.44	227.63	987.81	76,086.14
27	04-28-2017	1,215.44	248.79	966.65	75,119.49
28	05-28-2017	1,215.44	237.71	977.73	74,141.76
29	06-28-2017	1,215.44	242.43	973.01	73,168.75
30	07-28-2017	1,215.44	231.53	983.91	72,184.84
31	08-28-2017	1,215.44	236.03	979.41	71,205.43
32	09-28-2017	1,215.44	232.83	982.61	70,222.82
33	10-28-2017	1,215.44	222.21	993.23	69,229.59
34	11-28-2017	1,215.44	226.37	989.07	68,240.52
35	12-28-2017	1,215.44	215.94	999.50	67,241.02
2017 TOTALS:		14,585.28	2,834.83	11,750.45	
36	01-28-2018	1,215.44	219.87	995.57	66,245.45
37	02-28-2018	1,215.44	216.61	998.83	65,246.62
38	03-28-2018	1,215.44	192.70	1,022.74	64,223.88
39	04-28-2018	1,215.44	210.00	1,005.44	63,218.44
40	05-28-2018	1,215.44	200.05	1,015.39	62,203.05
41	06-28-2018	1,215.44	203.40	1,012.04	61,191.01
42	07-28-2018	1,215.44	193.63	1,021.81	60,169.20
43	08-28-2018	1,215.44	196.75	1,018.69	59,150.51
44	09-28-2018	1,215.44	193.41	1,022.03	58,128.48
45	10-28-2018	1,215.44	183.94	1,031.50	57,096.98
46	11-28-2018	1,215.44	186.70	1,028.74	56,068.24
47	12-28-2018	1,215.44	177.42	1,038.02	55,030.22
2018 TOTALS:		14,585.28	2,374.48	12,210.80	
48	01-28-2019	55,210.16	179.94	55,030.22	0.00
2019 TOTALS:		55,210.16	179.94	55,030.22	
TOTALS:		112,335.84	12,030.84	100,305.00	

NOTICE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

**PROMISSORY NOTE**

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$100,305.00	01-29-2015	01-28-2019	03387	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

Principal Amount: \$100,305.00

Interest Rate: 3.850%

Date of Note: January 29, 2015

PROMISE TO PAY. Estill Co Water District #1 ("Borrower") promises to pay to Citizens Guaranty Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Thousand Three Hundred Five & 00/100 Dollars (\$100,305.00), together with interest on the unpaid principal balance from January 29, 2015, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.850% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 47 regular payments of \$1,215.44 each and one irregular last payment estimated at \$55,210.16. Borrower's first payment is due February 28, 2015, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on January 28, 2019, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any escrow or reserve account payments as required under any mortgage, deed of trust, or other security instrument or security agreement securing this Note; then to any late charges; and then to any unpaid collection costs. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. All payments must be made in U.S. dollars and must be received by Lender consistent with any written payment instructions provided by Lender. If a payment is made consistent with Lender's payment instructions but received after 5:00 p.m. Eastern Standard Time, Monday thru Friday, Lender will credit Borrower's payment on the next business day.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prefinance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and result in Borrower making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations as full satisfaction of a disputed amount must be mailed or delivered to: Citizens Guaranty Bank, A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.**

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether



**PROMISSORY NOTE
(Continued)**

Loan No: 03387

Page 2

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

COLLATERAL. Borrower acknowledges this Note is secured by All Accounts Receivable now owned or hereafter acquired in the operation of Estill Co Water District #1.

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

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: Citizens Guaranty Bank A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.

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

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

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

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1



DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$100,305.00	01-29-2015	01-28-2019	03387	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

LOAN TYPE. This is a Fixed Rate (3.850%) Nondisclosable Loan to a Government Entity for \$100,305.00 due on January 28, 2019.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: Operating money.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$100,305.00 as follows:

Amount paid to Borrower directly:	\$100,000.00
\$100,000.00 Lender's Check #	
Other Charges Financed:	\$10.00
\$10.00 UCC Filing Fee	
Total Financed Prepaid Finance Charges:	\$295.00
\$275.00 Commercial Loan Fee	
\$20.00 Loan Coupon Book	
Note Principal:	\$100,305.00

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED JANUARY 29, 2015.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1



BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$100,305.00	01-29-2015	01-28-2019	03387	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

THIS BUSINESS LOAN AGREEMENT dated January 29, 2015, is made and executed between Estill Co Water District #1 ("Borrower") and Citizens Guaranty Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of January 29, 2015, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until January 28, 2019.

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

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

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

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

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

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

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

Organization. Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 76 Cedar Grove Rd, Irvine, KY 40336-7697. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

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

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

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

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

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

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

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foreclosure or otherwise.

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

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

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

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

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

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

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

Financial Statements. Furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than sixty (60) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, prepared by Borrower.

Tax Returns. As soon as available, but in no event later than sixty (60) days after the applicable filing date for the tax reporting period ended, Borrower's Federal and other governmental tax returns, prepared by a tax professional satisfactory to Lender.

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

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

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after Lender sends written notice to Borrower or Grantor, as the case may be, demanding cure of such default: (1) cure the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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

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anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Borrower. The word "Borrower" means Estill Co Water District #1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

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

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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

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

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

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

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



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

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

Lender. The word "Lender" means Citizens Guaranty Bank, its successors and assigns.

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

Note. The word "Note" means the Note dated January 29, 2015 and executed by Estill Co Water District #1 in the principal amount of \$100,305.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

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

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

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

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

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED JANUARY 29, 2015.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1

LENDER:

CITIZENS GUARANTY BANK

By: _____
Authorized Signer



COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$100,305.00	01-29-2015	01-28-2019	03387	5	10098348	SLC	

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

Grantor: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

THIS COMMERCIAL SECURITY AGREEMENT dated January 29, 2015, is made and executed between Estill Co Water District #1 ("Grantor") and Citizens Guaranty Bank ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

All Accounts Receivable now owned or hereafter acquired in the operation of Estill Co Water District #1

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

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

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and promises to Lender that:

Perfection of Security Interest. Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender.

Notices to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the structure of the entity Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's principal residence; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name will take effect until after Lender has received notice.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

Enforceability of Collateral. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any account becomes subject to a security interest in favor of Lender, the account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such Accounts. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

Location of the Collateral. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

Removal of the Collateral. Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

Title. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

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filed against the Collateral.

Inspection of Collateral. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, reasonable attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

Compliance with Governmental Requirements. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

Hazardous Substances. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify and defend shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

Maintenance of Casualty Insurance. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

Application of Insurance Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Collateral if the estimated cost of repair or replacement exceeds 5000, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

Insurance Reserves. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

Insurance Reports. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

Financing Statements. Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement.

GRANTOR'S RIGHT TO POSSESSION AND TO COLLECT ACCOUNTS. Until default and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

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



**COMMERCIAL SECURITY AGREEMENT
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DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

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

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

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

Insolvency. The insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Kentucky Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

Accelerate Indebtedness. Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

Assemble Collateral. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

Sell the Collateral. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Collect Revenues, Apply Accounts. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

Obtain Deficiency. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

Other Rights and Remedies. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

Election of Remedies. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

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

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

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



**COMMERCIAL SECURITY AGREEMENT
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anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

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

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

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

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

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

Power of Attorney. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

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

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

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

Waive Jury. All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

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

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

Borrower. The word "Borrower" means Estill Co Water District #1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

Default. The word "Default" means the Default set forth in this Agreement in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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

Grantor. The word "Grantor" means Estill Co Water District #1.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

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

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

Lender. The word "Lender" means Citizens Guaranty Bank, its successors and assigns.

Note. The word "Note" means the Note dated January 29, 2015 and executed by Estill Co Water District #1 in the principal amount of \$100,305.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments,



**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Loan No: 03387

Page 5

agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED JANUARY 29, 2015.

GRANTOR:

ESTILL CO WATER DISTRICT #1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1



NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$100,305.00	01-29-2015	01-28-2019	03387	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THE WRITTEN LOAN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

As used in this Notice, the following terms have the following meanings:

Loan. The term "Loan" means the following described loan: a Fixed Rate (3.850%) Nondisclosable Loan to a Government Entity for \$100,305.00 due on January 28, 2019.

Loan Agreement. The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

LOAN DOCUMENTS

Amortization Schedule
Governmental Certificate: Estill Co Water District #1
Customer Information Profile: William Beard
Customer Information Profile: Greg A Wright
KY Commercial Security Agreement: All Accounts Receivable now owned or hereafter acquired in the operation of Estill Co Water District #1; owned by Estill Co Water District #1
Notice of Final Agreement
W-9 Request for Taxpayer ID Number and Certification: : Jerry M Arnold
W-9 Request for Taxpayer ID Number and Certification: : Estill Co Water District #1

Disclosure of Right to Receive a Copy of an Appraisal
Business Loan Agreement
Customer Information Profile: Jerry M Arnold
Promissory Note
KY National UCC Financing Statement (Rev. 04/20/11): All Accounts; whether any of the foregoing i
Disbursement Request and Authorization
W-9 Request for Taxpayer ID Number and Certification: : Greg A Wright
W-9 Request for Taxpayer ID Number and Certification: : William Beard

Parties. The term "Parties" means Citizens Guaranty Bank and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

Borrower: Estill Co Water District #1
Grantor(s): Estill Co Water District #1

Each Party who signs below, other than Citizens Guaranty Bank, acknowledges, represents, and warrants to Citizens Guaranty Bank that it has received, read and understood this Notice of Final Agreement. This Notice is dated January 29, 2015.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

LENDER:

CITIZENS GUARANTY BANK

X _____
Authorized Signer

EXHIBIT 6C

CITIZENS GUARANTY NOTE NO. 24597

AMORTIZATION SCHEDULE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,330.00	01-24-2017	02-10-2021	24597	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

Disbursement Date: January 24, 2017
Interest Rate: 4.100

Repayment Schedule: Balloon
Calculation Method: 365/365 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	03-10-2017	1,352.35	557.70	794.65	109,535.35
2	04-10-2017	1,352.35	381.42	970.93	108,564.42
3	05-10-2017	1,352.35	365.85	986.50	107,577.92
4	06-10-2017	1,352.35	374.61	977.74	106,600.18
5	07-10-2017	1,352.35	359.23	993.12	105,607.06
6	08-10-2017	1,352.35	367.74	984.61	104,622.45
7	09-10-2017	1,352.35	364.32	988.03	103,634.42
8	10-10-2017	1,352.35	349.23	1,003.12	102,631.30
9	11-10-2017	1,352.35	357.38	994.97	101,636.33
10	12-10-2017	1,352.35	342.50	1,009.85	100,626.48
2017 TOTALS:		13,523.50	3,819.98	9,703.52	
11	01-10-2018	1,352.35	350.40	1,001.95	99,624.53
12	02-10-2018	1,352.35	346.91	1,005.44	98,619.09
13	03-10-2018	1,352.35	310.18	1,042.17	97,576.92
14	04-10-2018	1,352.35	339.78	1,012.57	96,564.35
15	05-10-2018	1,352.35	325.41	1,026.94	95,537.41
16	06-10-2018	1,352.35	332.68	1,019.67	94,517.74
17	07-10-2018	1,352.35	318.51	1,033.84	93,483.90
18	08-10-2018	1,352.35	325.53	1,026.82	92,457.08
19	09-10-2018	1,352.35	321.95	1,030.40	91,426.68
20	10-10-2018	1,352.35	308.10	1,044.25	90,382.43
21	11-10-2018	1,352.35	314.73	1,037.62	89,344.81
22	12-10-2018	1,352.35	301.08	1,051.27	88,293.54
2018 TOTALS:		16,228.20	3,895.26	12,332.94	
23	01-10-2019	1,352.35	307.46	1,044.89	87,248.65
24	02-10-2019	1,352.35	303.82	1,048.53	86,200.12
25	03-10-2019	1,352.35	271.12	1,081.23	85,118.89
26	04-10-2019	1,352.35	296.40	1,055.95	84,062.94
27	05-10-2019	1,352.35	283.28	1,069.07	82,993.87
28	06-10-2019	1,352.35	289.00	1,063.35	81,930.52
29	07-10-2019	1,352.35	276.09	1,076.26	80,854.26
30	08-10-2019	1,352.35	281.55	1,070.80	79,783.46
31	09-10-2019	1,352.35	277.82	1,074.53	78,708.93
32	10-10-2019	1,352.35	265.24	1,087.11	77,621.82
33	11-10-2019	1,352.35	270.29	1,082.06	76,539.76
34	12-10-2019	1,352.35	257.93	1,094.42	75,445.34
2019 TOTALS:		16,228.20	3,380.00	12,848.20	
35	01-10-2020	1,352.35	262.51	1,089.84	74,355.50
36	02-10-2020	1,352.35	258.21	1,094.14	73,261.36
37	03-10-2020	1,352.35	238.00	1,114.35	72,147.01
38	04-10-2020	1,352.35	250.54	1,101.81	71,045.20
39	05-10-2020	1,352.35	238.76	1,113.59	69,931.61
40	06-10-2020	1,352.35	242.85	1,109.50	68,822.11
41	07-10-2020	1,352.35	231.29	1,121.06	67,701.05
42	08-10-2020	1,352.35	235.10	1,117.25	66,583.80
43	09-10-2020	1,352.35	231.22	1,121.13	65,462.67
44	10-10-2020	1,352.35	220.00	1,132.35	64,330.32
45	11-10-2020	1,352.35	223.40	1,128.95	63,201.37
46	12-10-2020	1,352.35	212.40	1,139.95	62,061.42
2020 TOTALS:		16,228.20	2,844.28	13,383.92	
47	01-10-2021	1,352.35	215.69	1,136.66	60,924.76
48	02-10-2021	61,136.91	212.15	60,924.76	0.00
2021 TOTALS:		62,489.26	427.84	62,061.42	
TOTALS:		124,697.36	14,367.36	110,330.00	

NOTICE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

**PROMISSORY NOTE**

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,330.00	01-24-2017	02-10-2021	24597	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

Principal Amount: \$110,330.00

Interest Rate: 4.100%

Date of Note: January 24, 2017

PROMISE TO PAY. Estill Co Water District #1 ("Borrower") promises to pay to Citizens Guaranty Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Ten Thousand Three Hundred Thirty & 00/100 Dollars (\$110,330.00), together with interest on the unpaid principal balance from January 24, 2017, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 4.100% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 47 regular payments of \$1,352.35 each and one irregular last payment estimated at \$61,136.91. Borrower's first payment is due March 10, 2017, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on February 10, 2021, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any escrow or reserve account payments as required under any mortgage, deed of trust, or other security instrument or security agreement securing this Note; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. All payments must be made in U.S. dollars and must be received by Lender consistent with any written payment instructions provided by Lender. If a payment is made consistent with Lender's payment instructions but received after 5:00 p.m. Eastern Standard Time, Monday through Friday, Lender will credit Borrower's payment on the next business day.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Citizens Guaranty Bank, A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.**

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may



**PROMISSORY NOTE
(Continued)**

Loan No: 24597

Page 2

open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by a UCC on all accounts receivable now owned and hereafter acquired for use in the business known as Estill County Water District #1 located at 76 Cedar Grove Rd, Irvine, Estill County, KY 40336.

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

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: Citizens Guaranty Bank A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.

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

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

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

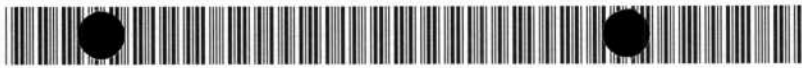
BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1



BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,330.00	01-24-2017	02-10-2021	24597	5	10098348	SLC	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

THIS BUSINESS LOAN AGREEMENT dated January 24, 2017, is made and executed between Estill Co Water District #1 ("Borrower") and Citizens Guaranty Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of January 24, 2017, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until February 10, 2021.

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

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

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

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

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

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

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

Organization. Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 76 Cedar Grove Rd, Irvine, KY 40336-7697. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

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

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

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

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

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

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

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foreclosure or otherwise.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

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

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements or permitted the filing or attachment of any Security Interests or any affecting superior to Lender's Security Interests and rights in and to such Collateral.

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

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

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

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

Financial Statements. Furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than sixty (60) days after the end of each fiscal year, Borrower's balance sheet and annual statement for the year ended, prepared by Borrower.

Tax Returns. As soon as available, but in no event later than sixty (60) days after the applicable filing date for the tax reporting period ended, Borrower's Federal and other governmental tax returns, prepared by a tax professional satisfactory to Lender.

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

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

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

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

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

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

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

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

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

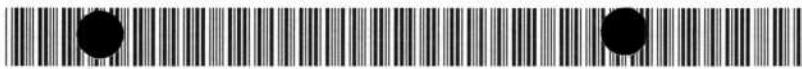
Environmental Studies. Promptly and complete, at Borrower's expense, all such investigations, studies, samplings and testings as may be requested by Lender or any governmental authority relative to any substance, or any waste or by-product of any substance defined as toxic or a hazardous substance under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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after Lender sends written notice to Borrower or Grantor, as the case may be, demanding cure of such default: (1) cure the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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



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anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Borrower. The word "Borrower" means Estill Co Water District #1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

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

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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

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

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

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

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



**BUSINESS LOAN AGREEMENT
(Continued)**

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

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

Lender. The word "Lender" means Citizens Guaranty Bank, its successors and assigns.

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

Note. The word "Note" means the Note dated January 24, 2017 and executed by Estill Co Water District #1 in the principal amount of \$110,330.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

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

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

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

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

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED JANUARY 24, 2017.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

LENDER:

CITIZENS GUARANTY BANK

By: _____
Authorized Signer



COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,330.00	01-24-2017	02-10-2021	24597	5	10098348	SLC	

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

Grantor: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

THIS COMMERCIAL SECURITY AGREEMENT dated January 24, 2017, is made and executed between Estill Co Water District #1 ("Grantor") and Citizens Guaranty Bank ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

all accounts receivable now owned and hereafter acquired for use in the business known as Estill County Water District #1 located at 76 Cedar Grove Rd, Irvine, Estill County, KY 40336

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

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

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and promises to Lender that:

Perfection of Security Interest. Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender.

Notices to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the structure of the entity Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's principal residence; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name will take effect until after Lender has received notice.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

Enforceability of Collateral. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any account becomes subject to a security interest in favor of Lender, the account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such Accounts. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

Location of the Collateral. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

Removal of the Collateral. Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

Title. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done



**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Loan No: 24597

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on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

Inspection of Collateral. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, reasonable attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

Compliance with Governmental Requirements. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

Hazardous Substances. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify and defend shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

Maintenance of Casualty Insurance. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

Application of Insurance Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Collateral if the estimated cost of repair or replacement exceeds 5000, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

Insurance Reserves. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

Insurance Reports. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

Financing Statements. Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement.

GRANTOR'S RIGHT TO POSSESSION AND TO COLLECT ACCOUNTS. Until default and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

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

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Loan No: 24597

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Default.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:**Payment Default.** Grantor fails to make any payment when due under the Indebtedness.**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.**False Statements.** Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.**Insolvency.** The insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.**Adverse Change.** A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.**Insecurity.** Lender in good faith believes itself insecure.**Cure Provisions.** If any default, other than a default in payment, is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Kentucky Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:**Accelerate Indebtedness.** Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.**Assemble Collateral.** Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.**Appoint Receiver.** Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.**Obtain Deficiency.** If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.**Other Rights and Remedies.** Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.**Election of Remedies.** Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Loan No: 24597

Page 4

include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

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

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

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

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

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

Power of Attorney. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

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

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

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

Waive Jury. All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

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

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

Borrower. The word "Borrower" means Estill Co Water District #1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

Default. The word "Default" means the Default set forth in this Agreement in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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

Grantor. The word "Grantor" means Estill Co Water District #1.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

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

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

Lender. The word "Lender" means Citizens Guaranty Bank, its successors and assigns.

Note. The word "Note" means the Note dated January 24, 2017 and executed by Estill Co Water District #1 in the principal amount of \$110,330.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.



**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Loan No: 24597

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

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED JANUARY 24, 2017.

GRANTOR:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1



NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,330.00	01-24-2017	02-10-2021	24597	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THE WRITTEN LOAN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

As used in this Notice, the following terms have the following meanings:

Loan. The term "Loan" means the following described loan: a Fixed Rate (4.100%) Nondisclosable Loan to a Government Entity for \$110,330.00 due on February 10, 2021.

Loan Agreement. The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

LOAN DOCUMENTS

- Disclosure of Right to Receive a Copy of an Appraisal
- Business Loan Agreement
- KY Commercial Security Agreement: Collateral owned by Estill Co Water District #1
- National UCC Instructions 04/20/11
- Disbursement Request and Authorization
- W-9 Request for Taxpayer ID Number and Certification: : Greg A Wright
- W-9 Request for Taxpayer ID Number and Certification: : William Beard
- Governmental Certificate: Estill Co Water District #1
- Promissory Note
- KY National UCC Financing Statement (Rev. 04/20/11): Collateral owned by Estill Co Water District #1
- National UCC Addendum Instructions 04/20/11
- Notice of Final Agreement
- W-9 Request for Taxpayer ID Number and Certification: : Jerry M Arnold
- W-9 Request for Taxpayer ID Number and Certification: : Estill Co Water District #1

Parties. The term "Parties" means Citizens Guaranty Bank and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

Borrower: Estill Co Water District #1
Grantor(s): Estill Co Water District #1

Each Party who signs below, other than Citizens Guaranty Bank, acknowledges, represents, and warrants to Citizens Guaranty Bank that it has received, read and understood this Notice of Final Agreement. This Notice is dated January 24, 2017.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

LENDER:

CITIZENS GUARANTY BANK

X _____
Authorized Signer



DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$ 110,330.00	01-24-2017	02-10-2021	24597	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

LOAN TYPE. This is a Fixed Rate (4.100%) Nondisclosable Loan to a Government Entity for \$110,330.00 due on February 10, 2021.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: Operating Money.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$110,330.00 as follows:

Amount paid to Borrower directly:	\$110,000.00
\$110,000.00 Lender's Check #	
Other Charges Financed:	\$10.00
\$10.00 UCC	
Total Financed Prepaid Finance Charges:	\$320.00
\$300.00 Commercial Loan Fee	
\$20.00 Loan Coupon Book	
Note Principal:	\$110,330.00

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED JANUARY 24, 2017.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

EXHIBIT 6D

CITIZENS GUARANTY NOTE NO. R88196

**CITIZENS GUARANTY BANK LOAN NO. R88196
AMORTIZATION SCHEDULE**

Payment Date	Payment Amount	Interest	Principal	Remaining Balance
10/31/2017	0	\$ -	0	\$ 110,254.22
11/30/2017	2481.75	\$ 348.89	\$ 2,132.86	\$ 108,121.36
12/30/2017	2481.75	\$ 342.14	\$ 2,139.61	\$ 105,981.75
1/30/2018	2481.75	\$ 346.55	\$ 2,135.20	\$ 103,846.55
2/28/2018	2481.75	\$ 317.66	\$ 2,164.09	\$ 101,682.45
3/30/2018	2481.75	\$ 321.76	\$ 2,159.99	\$ 99,522.47
4/30/2018	2481.75	\$ 325.43	\$ 2,156.32	\$ 97,366.14
5/30/2018	2481.75	\$ 308.11	\$ 2,173.64	\$ 95,192.50
6/30/2018	2481.75	\$ 311.27	\$ 2,170.48	\$ 93,022.02
7/30/2018	2481.75	\$ 294.36	\$ 2,187.39	\$ 90,834.63
8/30/2018	2481.75	\$ 297.02	\$ 2,184.73	\$ 88,649.89
9/30/2018	2481.75	\$ 289.87	\$ 2,191.88	\$ 86,458.02
10/30/2018	2481.75	\$ 273.59	\$ 2,208.16	\$ 84,249.86
11/30/2018	2481.75	\$ 275.49	\$ 2,206.26	\$ 82,043.59
12/30/2018	2481.75	\$ 259.62	\$ 2,222.13	\$ 79,821.46
1/30/2019	2481.75	\$ 261.01	\$ 2,220.74	\$ 77,600.72
2/28/2019	2481.75	\$ 237.37	\$ 2,244.38	\$ 75,356.34
3/30/2019	2481.75	\$ 238.46	\$ 2,243.29	\$ 73,113.05
4/30/2019	2481.75	\$ 239.07	\$ 2,242.68	\$ 70,870.37
5/30/2019	2481.75	\$ 224.26	\$ 2,257.49	\$ 68,612.88
6/30/2019	2481.75	\$ 224.36	\$ 2,257.39	\$ 66,355.49
7/30/2019	2481.75	\$ 209.98	\$ 2,271.77	\$ 64,083.72
8/30/2019	2481.75	\$ 209.55	\$ 2,272.20	\$ 61,811.51
9/30/2019	2481.75	\$ 202.12	\$ 2,279.63	\$ 59,531.88
10/30/2019		\$ 188.38		\$ 59,720.26



PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,254.22	10-31-2017	10-30-2019	R88196	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

COPY

Principal Amount: \$110,254.22

Interest Rate: 3.850%

Date of Note: October 31, 2017

PROMISE TO PAY. Estill Co Water District #1 ("Borrower") promises to pay to Citizens Guaranty Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Ten Thousand Two Hundred Fifty-four & 22/100 Dollars (\$110,254.22), together with interest on the unpaid principal balance from October 31, 2017, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.850% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 23 regular payments of \$2,481.75 each and one irregular last payment estimated at \$59,720.24. Borrower's first payment is due November 30, 2017, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on October 30, 2019, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any escrow or reserve account payments as required under any mortgage, deed of trust, or other security instrument or security agreement securing this Note; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. All payments must be made in U.S. dollars and must be received by Lender consistent with any written payment instructions provided by Lender. If a payment is made consistent with Lender's payment instructions but received after 5:00 p.m. Eastern Standard Time, Monday through Friday, Lender will credit Borrower's payment on the next business day.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. **All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Citizens Guaranty Bank, A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.**

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may



**PROMISSORY NOTE
(Continued)**

Loan No: R88196

Page 2

open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by All Accounts Receivable now owned or hereafter acquired in the operation of Estill County Water District #1.

PRIOR NOTE. This Note is secured by a separate security agreement dated 10/31/2013 on All Accounts Receivable now owned or hereafter acquired in the operation of Estill County Water District #1.

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

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: Citizens Guaranty Bank A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.

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

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

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

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1

COBY



DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,254.22	10-31-2017	10-30-2019	R88196	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
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Irvine, KY 40336-0630
(606) 723-2139

LOAN TYPE. This is a Fixed Rate (3.850%) Nondisclosable Loan to a Government Entity for \$110,254.22 due on October 30, 2019. This is a secured renewal of the following described indebtedness: This Note is secured by a separate security agreement dated 10/31/2013 on All Accounts Receivable now owned or hereafter acquired in the operation of Estill County Water District #1.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: Renewal #10098348-88196/Operating money.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$110,254.22 as follows:

Other Disbursements:	\$110,104.22
\$110,104.22 Loan Balance	
Total Financed Prepaid Finance Charges:	\$150.00
\$150.00 Commercial Loan Renewal Fee	
	\$110,254.22
Note Principal:	\$110,254.22

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED OCTOBER 31, 2017.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1



BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,254.22	10-31-2017	10-30-2019	R88196	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

THIS BUSINESS LOAN AGREEMENT dated October 31, 2017, is made and executed between Estill Co Water District #1 ("Borrower") and Citizens Guaranty Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or the following other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of October 31, 2017, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until October 30, 2019.

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

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

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

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

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

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

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

Organization. Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 76 Cedar Grove Rd, Irvine, KY 40336-7697. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

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

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

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

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

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

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

**BUSINESS LOAN AGREEMENT
(Continued)**

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foreclosure or otherwise.

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

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

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

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

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

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

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

Financial Statements. Furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than sixty (60) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, prepared by Borrower.

Tax Returns. As soon as available, but in no event later than sixty (60) days after the applicable filing date for the tax reporting period ended, Borrower's Federal and other governmental tax returns, prepared by a tax professional satisfactory to Lender.

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

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

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

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

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

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

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

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

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

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

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

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

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

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

**BUSINESS LOAN AGREEMENT
(Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after Lender sends written notice to Borrower or Grantor, as the case may be, demanding cure of such default: (1) cure the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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



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anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Borrower. The word "Borrower" means Estill Co Water District #1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

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

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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

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

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

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

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



**BUSINESS LOAN AGREEMENT
(Continued)**

Loan No: R88196

Page 5

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

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

Lender. The word "Lender" means Citizens Guaranty Bank, its successors and assigns.

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

Note. The word "Note" means the Note dated October 31, 2017 and executed by Estill Co Water District #1 in the principal amount of \$110,254.22, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

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

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

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

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

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED OCTOBER 31, 2017.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1

LENDER:

CITIZENS GUARANTY BANK

By: _____
Authorized Signer



NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$110,254.22	10-31-2017	10-30-2019	R88196	5	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THE WRITTEN LOAN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

As used in this Notice, the following terms have the following meanings:

Loan. The term "Loan" means the following described loan: a Fixed Rate (3.850%) Nondisclosable Loan to a Government Entity for \$110,254.22 due on October 30, 2019. This is a secured renewal of the following described indebtedness: This Note is secured by a separate security agreement dated 10/31/2013 on All Accounts Receivable now owned or hereafter acquired in the operation of Estill County Water District #1.

Loan Agreement. The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

LOAN DOCUMENTS

- Disclosure of Right to Receive a Copy of an Appraisal
- Business Loan Agreement
- KY Commercial Security Agreement: Collateral owned by Estill Co Water District #1
- Disbursement Request and Authorization
- W-9 Request for Taxpayer ID Number and Certification: : Greg A Wright
- W-9 Request for Taxpayer ID Number and Certification: : William Beard
- Governmental Certificate: Estill Co Water District #1
- Promissory Note
- KY National UCC Financing Statement (Rev. 04/20/11): Collateral owned by Estill Co Water District #1
- Notice of Final Agreement
- W-9 Request for Taxpayer ID Number and Certification: : Jerry M Arnold
- W-9 Request for Taxpayer ID Number and Certification: : Estill Co Water District #1

Parties. The term "Parties" means Citizens Guaranty Bank and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

Borrower: Estill Co Water District #1
Grantor(s): Estill Co Water District #1

Each Party who signs below, other than Citizens Guaranty Bank, acknowledges, represents, and warrants to Citizens Guaranty Bank that it has received, read and understood this Notice of Final Agreement. This Notice is dated October 31, 2017.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

LENDER:

CITIZENS GUARANTY BANK

X _____
Authorized Signer

EXHIBIT 6E

CITIZENS GUARANTY NOTE NO. 37095

**CITIZENS GUARANTY BANK LOAN NO. 37095
AMORTIZATION SCHEDULE**

Payment No	Payment Date	Payment Amount	Interest	Principal	Remaining Balance
	2/22/2018	\$ -	0	\$ -	\$18,453.28
1	4/8/2018	\$ 421.58	\$102.38	\$ 319.20	\$18,134.08
2	5/8/2018	\$ 421.58	\$67.07	\$ 354.51	\$17,779.57
3	6/8/2018	\$ 421.58	\$67.95	\$ 353.63	\$17,425.95
4	7/8/2018	\$ 421.58	\$64.45	\$ 357.13	\$17,068.82
5	8/8/2018	\$ 421.58	\$65.24	\$ 356.34	\$16,712.48
6	9/8/2018	\$ 421.58	\$63.87	\$ 357.71	\$16,354.77
7	10/8/2018	\$ 421.58	\$60.49	\$ 361.09	\$15,993.68
8	11/8/2018	\$ 421.58	\$61.13	\$ 360.45	\$15,633.23
9	12/8/2018	\$ 421.58	\$57.82	\$ 363.76	\$15,269.47
10	1/8/2019	\$ 421.58	\$58.36	\$ 363.22	\$14,906.25
11	2/8/2019	\$ 421.58	\$56.97	\$ 364.61	\$14,541.64
12	3/8/2019	\$ 421.58	\$50.20	\$ 371.38	\$14,170.26
13	4/8/2019	\$ 421.58	\$54.16	\$ 367.42	\$13,802.84
14	5/8/2019	\$ 421.58	\$51.05	\$ 370.53	\$13,432.31
15	6/8/2019	\$ 421.58	\$51.34	\$ 370.24	\$13,062.07
16	7/8/2019	\$ 421.58	\$48.31	\$ 373.27	\$12,688.81
17	8/8/2019	\$ 421.58	\$48.50	\$ 373.08	\$12,315.72
18	9/8/2019	\$ 421.58	\$47.07	\$ 374.51	\$11,941.21
19	10/8/2019	\$ 421.58	\$44.17	\$ 377.41	\$11,563.80
20	11/8/2019	\$ 421.58	\$44.20	\$ 377.38	\$11,186.42
21	12/8/2019	\$ 421.58	\$41.38	\$ 380.20	\$10,806.21
22	1/8/2020	\$ 421.58	\$41.19	\$ 380.39	\$10,425.82
23	2/8/2020	\$ 421.58	\$39.74	\$ 381.84	\$10,043.98
24	3/8/2020		\$35.81		\$10,079.79



COPY

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$18,453.28	02-22-2018	03-08-2020	37095	7	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

Principal Amount: \$18,453.28 Interest Rate: 4.500% Date of Note: February 22, 2018

PROMISE TO PAY. Estill Co Water District #1 ("Borrower") promises to pay to Citizens Guaranty Bank ("Lender"), or order, in lawful money of the United States of America, the principal amount of Eighteen Thousand Four Hundred Fifty-three & 28/100 Dollars (\$18,453.28), together with interest on the unpaid principal balance from February 22, 2018, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 4.500% per annum, until paid in full. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in 23 regular payments of \$421.58 each and one irregular last payment estimated at \$10,079.86. Borrower's first payment is due April 8, 2018, and all subsequent payments are due on the same day of each month after that. Borrower's final payment will be due on March 8, 2020, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any escrow or reserve account payments as required under any mortgage, deed of trust, or other security instrument or security agreement securing this Note; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. All payments must be made in U.S. dollars and must be received by Lender consistent with any written payment instructions provided by Lender. If a payment is made consistent with Lender's payment instructions but received after 5:00 p.m. Eastern Standard Time, Monday through Friday, Lender will credit Borrower's payment on the next business day.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/365 simple interest basis; that is, by applying the ratio of the interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. Except for the foregoing, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Citizens Guaranty Bank, A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may



**PROMISSORY NOTE
(Continued)**

Loan No: 37095

Page 2

open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by a 2003 GMC 3500 Sierra (VIN# 1GDJK39183E207198).

PRIOR NOTE. This loan is secured by a security agreement dated September 28, 2017 on a 2003 GMC 3500 Sierra (VIN# 1GDJK39183E207198).

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

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: Citizens Guaranty Bank A Real Community Bank, P.O. Box 630 Irvine, KY 40336-0630.

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

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

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

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District
#1

By: _____
Greg A Wright, Chairman of Estill Co Water District
#1

By: _____
William Beard, Treasurer of Estill Co Water District
#1

COBY



BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$18,453.28	02-22-2018	03-08-2020	37095	7	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

THIS BUSINESS LOAN AGREEMENT dated February 22, 2018, is made and executed between Estill Co Water District #1 ("Borrower") and Citizens Guaranty Bank ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of February 22, 2018, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until March 8, 2020.

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

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

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

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

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

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

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

Organization. Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the Commonwealth of Kentucky. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Specifically, Borrower is, and at all times shall be, duly qualified as a foreign in all states in which the failure to so qualify would have a material adverse effect on its business or financial condition. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 76 Cedar Grove Rd, Irvine, KY 40336-7697. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

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

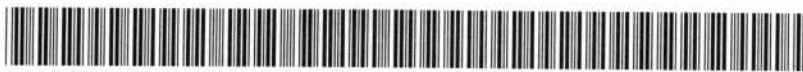
Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of any agreement or other instrument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

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

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

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

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

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foreclosure or otherwise.

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

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

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

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

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

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

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

Financial Statements. Furnish Lender with the following:

Annual Statements. As soon as available, but in no event later than sixty (60) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, prepared by Borrower.

Tax Returns. As soon as available, but in no event later than sixty (60) days after the applicable filing date for the tax reporting period ended, Borrower's Federal and other governmental tax returns, prepared by a tax professional satisfactory to Lender.

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

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

Insurance. Maintain fire and other risk insurance, public liability insurance, and such other insurance as Lender may require with respect to Borrower's properties and operations, in form, amounts, coverages and with insurance companies acceptable to Lender. Borrower, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days prior written notice to Lender. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Borrower or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest for the Loans, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insecurity. Lender in good faith believes itself insecure.

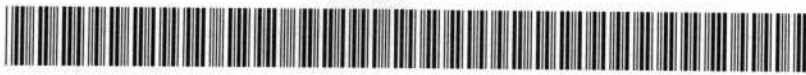
Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower or Grantor, as the case may be, has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower or Grantor, as the case may be, after Lender sends written notice to Borrower or Grantor, as the case may be, demanding cure of such default: (1) cure the default within thirty (30) days; or (2) if the cure requires more than thirty (30) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

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

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

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

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



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anticipated post-judgment collection services. Borrower also shall pay all court costs and such additional fees as may be directed by the court.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Borrower. The word "Borrower" means Estill Co Water District #1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

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

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

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

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

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

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

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



**BUSINESS LOAN AGREEMENT
(Continued)**

Loan No: 37095

Page 5

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

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

Lender. The word "Lender" means Citizens Guaranty Bank, its successors and assigns.

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

Note. The word "Note" means the Note dated February 22, 2018 and executed by Estill Co Water District #1 in the principal amount of \$18,453.28, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

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

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

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

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

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED FEBRUARY 22, 2018.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

LENDER:

CITIZENS GUARANTY BANK

By: _____
Authorized Signer



AGREEMENT TO PROVIDE INSURANCE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$18,453.28	02-22-2018	03-08-2020	37095	7	10098348	SLC	

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

Grantor: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

INSURANCE REQUIREMENTS. Grantor, Estill Co Water District #1 ("Grantor"), understands that insurance coverage is required in connection with the extending of a loan or the providing of other financial accommodations to Grantor by Lender. These requirements are set forth in the security documents for the loan. The following minimum insurance coverages must be provided on the following described collateral (the "Collateral"):

Collateral: 2003 GMC Sierra 3500 (VIN 1GDJK39183E207198).
Type: Comprehensive and collision.
Amount: Loan Amount.
Basis: Replacement value.
Endorsements: Lender loss payable clause with stipulation that coverage will not be cancelled or diminished without a minimum of thirty (30) days prior written notice to Lender.
Deductibles: \$500.00.
Latest Delivery Date: By the loan closing date.

INSURANCE COMPANY. Grantor may obtain insurance from any insurance company Grantor may choose that is reasonably acceptable to Lender. Grantor understands that credit may not be denied solely because insurance was not purchased through Lender.

INSURANCE MAILING ADDRESS. All documents and other materials relating to insurance for this loan should be mailed, delivered or directed to the following address:

Citizens Guaranty Bank
A Real Community Bank
P.O. Box 630, 25 River Drive
Irvine, KY 40336-0630

FAILURE TO PROVIDE INSURANCE. Grantor agrees to deliver to Lender, on the latest delivery date stated above, evidence of the required insurance as provided above, with an effective date of February 22, 2018, or earlier. Grantor acknowledges and agrees that if Grantor fails to provide any required insurance or fails to continue such insurance in force, Lender may do so at Grantor's expense as provided in the applicable security document. The cost of any such insurance, at the option of Lender, shall be added to the indebtedness as provided in the security document. **GRANTOR ACKNOWLEDGES THAT IF LENDER SO PURCHASES ANY SUCH INSURANCE, THE INSURANCE WILL PROVIDE LIMITED PROTECTION AGAINST PHYSICAL DAMAGE TO THE COLLATERAL, UP TO AN AMOUNT EQUAL TO THE LESSER OF (1) THE UNPAID BALANCE OF THE DEBT, EXCLUDING ANY UNEARNED FINANCE CHARGES, OR (2) THE VALUE OF THE COLLATERAL; HOWEVER, GRANTOR'S EQUITY IN THE COLLATERAL MAY NOT BE INSURED. IN ADDITION, THE INSURANCE MAY NOT PROVIDE ANY PUBLIC LIABILITY OR PROPERTY DAMAGE INDEMNIFICATION AND MAY NOT MEET THE REQUIREMENTS OF ANY FINANCIAL RESPONSIBILITY LAWS.**

AUTHORIZATION. For purposes of insurance coverage on the Collateral, Grantor authorizes Lender to provide to any person (including any insurance agent or company) all information Lender deems appropriate, whether regarding the Collateral, the loan or other financial accommodations, or both.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT TO PROVIDE INSURANCE AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED FEBRUARY 22, 2018.

GRANTOR:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

FOR LENDER USE ONLY		
DATE:	INSURANCE VERIFICATION	PHONE
_____	_____	_____
AGENT'S NAME: _____		
AGENCY: _____		
ADDRESS: _____		
INSURANCE COMPANY: _____		
POLICY NUMBER: _____		
EFFECTIVE DATES: _____		
COMMENTS: _____		



DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$18,453.28	02-22-2018	03-08-2020	37095	7	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

LOAN TYPE. This is a Fixed Rate (4.500%) Nondisclosable Loan to a Government Entity for \$18,453.28 due on March 8, 2020.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: Refinance for 2 Year Renewal.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$18,453.28 as follows:

Amount paid on Borrower's account:	\$18,413.28
\$18,413.28 Payment on Loan # 10098348-33677	
Total Financed Prepaid Finance Charges:	\$40.00
\$20.00 Loan Coupon Book	
\$20.00 VSI	

Note Principal: \$18,453.28

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED FEBRUARY 22, 2018.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: William M Arnold
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1



NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$18,453.28	02-22-2018	03-08-2020	37095	7	10098348	SLC	

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

Borrower: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

BY SIGNING THIS DOCUMENT EACH PARTY REPRESENTS AND AGREES THAT: (A) THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES, (B) THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES, AND (C) THE WRITTEN LOAN AGREEMENT MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

As used in this Notice, the following terms have the following meanings:

Loan. The term "Loan" means the following described loan: a Fixed Rate (4.500%) Nondisclosable Loan to a Government Entity for \$18,453.28 due on March 8, 2020.

Loan Agreement. The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

LOAN DOCUMENTS

- Disclosure of Right to Receive a Copy of an Appraisal
- Business Loan Agreement
- KY Commercial Security Agreement: Collateral owned by Estill Co Water District #1
- KY Lien Statement: 2003 GMC Sierra 3500 (VIN 1GDJK39183E207198)
- Notice of Final Agreement
- Governmental Certificate: Estill Co Water District #1
- Promissory Note
- Power of Attorney: 2003 GMC Sierra 3500 (VIN 1GDJK39183E207198)
- Agreement to Provide Insurance
- Disbursement Request and Authorization
- W-9 Request for Taxpayer ID Number and Certification: : Estill Co Water District #1

Parties. The term "Parties" means Citizens Guaranty Bank and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

Borrower: Estill Co Water District #1
Grantor(s): Estill Co Water District #1

Each Party who signs below, other than Citizens Guaranty Bank, acknowledges, represents, and warrants to Citizens Guaranty Bank that it has received, read and understood this Notice of Final Agreement. This Notice is dated February 22, 2018.

BORROWER:

ESTILL CO WATER DISTRICT #1

By: _____
Jerry M Arnold, Secretary of Estill Co Water District #1

By: _____
Greg A Wright, Chairman of Estill Co Water District #1

By: _____
William Beard, Treasurer of Estill Co Water District #1

LENDER:

CITIZENS GUARANTY BANK

X _____
Authorized Signer



DISCLOSURE OF RIGHT TO RECEIVE A COPY OF AN APPRAISAL

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$18,453.28	02-22-2018	03-08-2020	37095	7	10098348	SLC	

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

Applicant: Estill Co Water District #1
76 Cedar Grove Rd
Irvine, KY 40336-7697

Lender: Citizens Guaranty Bank
River Drive Branch
25 River Drive
P.O. Box 630
Irvine, KY 40336-0630
(606) 723-2139

Disclosure of Right to Receive a Copy of an Appraisal

Application Number: _____

Loan Number: 37095

You have the right to a copy of the appraisal report used in connection with your application for credit. If you wish to have a copy, please write to us at the following mailing address Citizens Guaranty Bank A Real Community Bank P.O. Box 630, 25 River Drive Irvine, KY 40336-0630. We must hear from you no later than ninety (90) days after we notify you about the action taken on your credit application or no later than ninety (90) days after you withdraw your application.

In your letter, give us the following information:

Name, address, property description and loan number

Upon your request, the appraisal report will be sent to:

76 Cedar Grove Rd
Irvine, KY 40336-7697

Costs of Providing the Appraisal Copy: One copy will be given to Borrower(s) prior to consummation. Additional copies will be provided at \$10.00 each.

APPLICANT ACKNOWLEDGMENT

I acknowledge that I have received a copy of this **Disclosure of Right to Receive a Copy of an Appraisal**.

APPLICANT:

ESTILL CO WATER DISTRICT #1

By: _____ Date _____
Jerry M Arnold, Secretary of Estill Co Water
District #1

By: _____ Date _____
Greg A Wright, Chairman of Estill Co Water
District #1

By: _____ Date _____
William Beard, Treasurer of Estill Co Water
District #1

EXHIBIT 7

Hollinsworth, Anthony - RD, Lexington, KY

From: Hollinsworth, Anthony - RD, Lexington, KY
Sent: Wednesday, June 20, 2018 3:18 PM
To: Davis, Lorrie - RD, Washington, DC; Davis, Kenneth R - RD, Washington, DC; Holm, Mike - RD, Fallon, NV; Evans, Kent - RD, Washington, DC; Francis, Cheryl - RD, Washington, DC; Fritz, James - RD, Washington, DC; Barringer, Scott - RD, Washington, DC
Cc: Johnson, John - RD, Shelbyville, KY; Pridemore, Greg - RD, Shelbyville, KY; Legg, Hilda - RD, Lexington, KY; McCay, Kimberly - RD, Lexington, KY
Subject: Estill County Water District - request to re-amortize loans at new interest rate and terms
Attachments: A - narrative.pdf; B - 442-2 operating budget.pdf; B - CPAP underwriting.pdf; C - 2017 audit.pdf; C - 2018 - 1st quarter actuals.pdf; D - 1951-33 reamortization request.pdf; E - 1782-1 exhibit F.pdf; G1 - RD account balances.pdf; G2 - amortization schedule - RD debt.pdf; G3 - CGB agreement to reamortize.pdf; G4 - amortization schedule - CGB debt.pdf

This account and this action has previously been discussed with Lorrie Davis, and she is most familiar with the action requested. However, based upon direction from the National Office, I have forwarded the request to each of you.

Attached to this email, please find required documentation per staff instruction RUS 1782-1, 1782.20 (l) and 1782.20 (m) requesting Assistant Administrator approval to re-amortize the subject borrower's delinquent loans at new rates and terms. This action meets the requirements of 1782.20 (m) to qualify for adjusting the interest rate and for extending the terms for a new 40 year payout. The proposal has been processed in CPAP and is available for your review. Please see the attached narrative (attachment A) for full discussion and documentation of the requested action.

The borrower has experienced financial difficulties over the past few years, and has suffered from poor finances, high water loss, and poor management. The Board of Commissioners was completely replaced at the request of the Kentucky Public Service Commission, and the new Board is trying to turn things around and place the Water District on sound financial grounds. I have met personally with this new Board of Commissioners and feel they are experienced, capable, and willing to do what it takes to fix the financial problems of the District if we will give them the chance. Please note that a large rate increase was implemented at the beginning of the year, and this increased income is what should enable to borrower to successfully repay the indebtedness if given the option of restructuring the delinquency. They are not able to catch up the amount behind through a workout agreement – and re-amortization is the only option remaining to fix this problem. Also, note that the Water District is working very closely with Kentucky Rural Water in order to locate and reduce the issues causing the excess water loss. These new Commissioners are diligent and determined to find and fix the issues that have impaired this Water District for several years.

Outside of RD, there are two other creditors: Kentucky Rural Water and Citizens Guaranty Bank. Rural Water will be paid in full in two years and this payment is reflected on the schedule with no problems. The Citizens Guaranty Bank has also agreed to restructure their debt over 10 years – and a copy of their letter agreeing to restructure over 120 monthly amortized payments is attached above as attachment G3. Also above is an amortization schedule to reflect this restructured debt and the required payments. This re-amortized payment is reflected in the CPAP underwriting.

The plan appears sound. CPAP does show repayment ability for the re-amortized RD debt as well as a short lived asset reserve and the 10% debt service reserve. This will result in a reduced RD payment of approximately \$78,000 per year. RD will be secured via a revenue bond on all assets and revenues of the water district, and the remaining life of the security is adequate to allow the term of the loans to be extended for a new 40 years.

This action appears to be in the best interest of the government while at the same time greatly benefitting and improving the financial condition of Estill County Water District. Approval of this request will allow RD to both solve a delinquency problem, while also strengthening our portfolio and allow better and improved service to a rural Persistent

Poverty area. Estill County has an MHI of \$28,324 which is 70% of the Statewide NMHI. Estill County does qualify for the Poverty interest rate.

Of the 6 existing loans with Rural Development, only 5 are presently delinquent. However, this request is to re-amortize all six loans together to put them all on equal payment schedules, equal interest rates and terms. This will be beneficial to both the USDA and the Water District.

I hereby submit and recommend this action be approved. Please advise if additional information is needed or required.

Anthony Hollinsworth | Community Programs Director
Rural Development
U.S. Department of Agriculture
771 Corporate Drive, Suite 200 | Lexington, KY
Phone: 859.224.7316 | Fax: 855.661.8335
<http://www.rd.usda.gov/me>

“Committed to the future of rural communities”

USDA is an equal opportunity provider and employer



**United States Department of Agriculture
Rural Development
Kentucky State Office**

June 20, 2018

TO: Administrator, RUS
Washington, D.C. 20250

ATTN: Kent Evans, Director
Water Programs Division
Water & Environmental Programs

SUBJECT: Estill County Water District – Loan restructuring request
Request for National Office review/Assistant Administrator exception

In accordance with RUS Staff Instruction 1782-1, section 1782.20 (l) (5) and section 1782.20 (m), we hereby submit the subject account for National Office review. This account is delinquent, and the borrower has been unable to pay the delinquent amount. In accordance with the above cited instruction, we hereby request Assistant Administrator approval to adjust the interest rate and extend the terms on the existing indebtedness. These actions are required in order for the borrower to demonstrate a feasible cash flow and repayment ability for all existing RUS indebtedness and all other existing indebtedness.

We request approval from the Assistant Administrator to adjust the interest rate to the current existing Poverty interest rate. This account meets all conditions as outlined in 1782.20(m)(1) for an interest rate adjustment in that:

- (i) The borrower has exhausted all other servicing options available,
- (ii) The borrower is experiencing severe financial hardship,
- (iii) Management deficiencies have been corrected (explained below),
- (iv) The borrower's water rates are not lower than similar systems,
- (v) The borrower has cooperated with Rural Development, and
- (vi) Account will be 180 days delinquent by the time this process concludes.

Also, we request Assistant Administrator approval to extend the loan terms for a new 40 year term. This is allowed per 1782.20 (m) (3) and is required in order to allow the Water District to be successful.

There are six (6) existing RUS loans on the water system, with an estimated payoff (as of 7/31/2018) of \$4,008,250. Based upon previous discussions with Lorrie Davis, we have processed this request through CPAP and CPAP does demonstrate a positive cash flow with ability to repay the full indebtedness at the new rates and terms, while also maintaining a debt service reserve and a short-lived asset reserve.

Estill County has had financial difficulties for the past several years, and has suffered from poor management and the unwillingness to raise rates as required. As a result of the financial difficulties, and on the demand of the Kentucky Public Service Commission, the Estill County Fiscal Court was

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone: (859) 224-7300 • Fax: (859) 224-7425 • TDD: (859) 224-7422 • Web: <http://www.rurdev.usda.gov/ky>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."

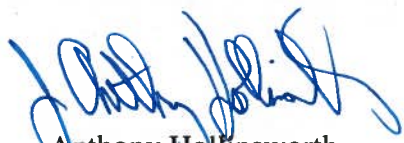
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

required to replace the Board of Directors. A new Board has been established, and this new Board is very capable, knowledgeable, and responsible. I, personally, had a long and detailed meeting with the new Board of Directors and discussed the situation and the Board's responsibilities. This new Board will be proactive and cooperative. The new Board is composed of an Engineer, a former teacher, and a long time employee of Kentucky Rural Water Association.

We hereby submit this file for your review. The proposal has been processed through CPAP, and the items as required pursuant to Staff Instruction 1782-1. 1782.20 (l) (5) (ii) are attached to this email and also uploaded to CPAP for your review. Our review indicates that this should solve the delinquency and place the Water District on a feasible and sustainable path. RD will be adequately secured through a revenue Bond on all revenues of the system and the remaining useful life of the facility is greater than the proposed loan term.

We request your guidance as to how to evidence this restructured debt, assuming it is approved. Referencing the instructions cited above, section (l) (5) (iv) (A) specifies that the debt will be rescheduled through a new evidence of total debt, including total principal and interest which would infer that the total debt is to be consolidated into one new Bond. However, section (l) (5) (v) (C) specifies that a separate new instrument will be required for each loan being re-amortized.

If there are any questions concerning this submittal, or if additional information is needed, please contact Anthony Hollinsworth, Community Programs Director at (859) 224-7336 for assistance.



Anthony Hollinsworth
Community Programs Director

OPERATING BUDGET

Name: Estill Coutry Water District		Address: 76 Cedar Grove Road, Irvine				
Applicant Fiscal Year: From: 1-Jan ##### 30-Jun		County: Estill		State (Including ZIP Code) KY 42728		
Year:					2018	
Operating Income:		(1)	(2)	(3)	(4)	(5)
1	Water sales					1,770,926
2						
3	tower rental & miscellaneous					65,076
4						
5						
6						
7						
8						
9						
10						
11						
12						
13	Less: Allowances and Deductions					
Total Operating Income (Add lines 1 through 13)		\$0	\$0	\$0	\$0	\$1,836,002
Operating Expenses:						
1	Contract Water Purchase					748,000
2	Salaries/Benefits					501,000
3	Commissioner fees					18,000
4	Supplies					80,500
5	Transportation costs					26,500
6	Insurance					25,700
7	Accounting, legal, etc.					45,000
8	Utilities					90,000
9	Regulatory fees					4,000
10	Dues & Subscriptions					3,900
11	Penalties					6,200
12	Advertising					500
13	Office costs/Postage					20,800
14	uniforms					2,500
15	repairs/Upkeep					25,000
16	Bank fees & misc.					5,250
17						
18						
19						
20	<i>Depreciation</i>					
Total Operating Expense (Add lines 1 through 20)		\$0	\$0	\$0	\$0	\$1,602,850
Net Operating Income (Loss) (Oper. Income - Oper. Expense)		\$0	\$0	\$0	\$0	\$233,152
Non-Operating Income						
1						
2						
Total Non-Operating Income (Add lines 1 through 3)		\$0	\$0	\$0	\$0	\$0
Net Income (Loss) (Total Income - Total Expense)		\$0	\$0	\$0	\$0	\$233,152

Budget and Projected Cash Flow Approved by Governing Body

Attest: _____ Secretary _____ Date
 _____ Appropriate Official _____ Date

According to the paperwork Reduction Act of 1995, an Agency may not conduct or sponsor, and a person is not required to a respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information is estimated to average 5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PROJECTED CASH FLOW

Year (from Schedule 1)	0	0	0	0	2018
A. Total Net Income from Schedule 1 ADD	\$0	\$0	\$0	\$0	\$233,152
B. Expenses not Requiring Cash:					
1. Depreciation	0	0	0	0	0
2. Others: _____					
C. Cash Provided from:					
1. Proceeds from RD loan/grant					
2. Proceeds from others					
3. Increase (Decrease) in Accounts Payable, Accruals, Current Liabilities					
4. Decrease (Increase) in Accounts Receivable, Inventory, Current Assets					
5. Other: _____					
6. _____					
D. Total all A, B, and C items	\$0	\$0	\$0	\$0	\$233,152
E. Less : Cash Expended for:					
1. All construction, Equipment, and New Capital Items (purchased with loan/grant funds)					
2. Replacement and Additions					
3. Principal & Interest (restructured RUS loan)					156,362
4. Principal & Interest (KY Rural Water)					18,203
5. Other: Citizens Guar Bank					32,004
6. Total (E1 through E5)	\$0	\$0	\$0	\$0	\$206,569
F. Beginning Cash Balances		\$0	\$0	\$0	\$0
G. Ending Cash Balances (D minus E6 plus F)	\$0	\$0	\$0	\$0	\$26,583
Item G Cash Balances Composed of:					
Construction Account					
Revenue Account					
Debt payment Account					
O&M Account					946
Reserve Account					
Funded Depreciation Account					
Others: <u>Short Lived Asset Reserve</u>					10,000
<u>RD 10% debt service reserve</u>					15,637
Total - Agrees with Item G	\$0	\$0	\$0	\$0	\$26,583

UNDERWRITING INFORMATION

Print Date Jun 20, 2018

Customer Name: **Estill County Water District No. 1**

Project Name: **RESTRUCTURING**

Case Number:

20-033-***4109**

Customer Identifier:

795147508

LOAN DETERMINATION	Water	Waste	Total
Monthly Cost Per EDU	38.99	0.00	
Number of EDUs	3,785	0	
Bulk Cost/ 1,000 Gal or Cu Ft	0	0	
Bulk User Income Per Month	0	0	0
Other Operating Income (Monthly)	5,423	0	5,423
Operating Income	1,836,002	0	1,836,002
Non-Operating Income	0	0	0
Total Cash Available	1,836,002	0	1,836,002
Expenses / Cost			
O&M (Less Interest & Depreciation)	0	0	1,602,850
Replacement Reserve - Short Lived Assets	10,000	0	10,000
Other	0	0	0
Total Cash Available for Debt Payment & Reserve	1,826,002	0	223,152
Debt Service & Reserve			50,207
Total Cash Outflow			1,663,057
Balance Available for Debt Payment			172,945
Commerical Credit (Maximum Loan Amount)			2,215,000
USDA (Maximum Loan Amount)			4,030,000
PROJECT FINANCING			
Project Cost			4,008,250
Applicant Contribution			0
Other Funding Sources			0
Contribution Connection/Tap Fees			0
USDA (Maximum Loan Needed)			4,008,250
Max USDA Grant Needed			0
Maximum W&W Grant Percentage			75.00 %

UNDERWRITING INFORMATION

Print Date Jun 20, 2018

SUPPORTING SCHEDULES

Monthly Cost Per EDU - Water

<u>System Name</u>	<u>System MHI</u>	<u>Avg Monthly User Cost</u>
Western Pulaski Water District	32,771	22.32
Rowan Water	31,604	26.20
East Laurel Water Dist #2	36,787	28.92
Southern Water & Sewer	27,907	34.68

<u>Average Monthly Cost from Above</u>	28.03	<u>Monthly Cost from Assessments</u>	0.00
<u>Average Annual Cost from Above</u>	336.36	<u>Average Monthly Cost including Assessments</u>	38.99
<u>Monthly Cost Per EDU</u>	38.99		

Monthly Cost Per EDU -Sewer

<u>Average Monthly Cost from Above</u>	0.00	<u>Monthly Cost from Assessments</u>	0.00
<u>Average Annual Cost from Above</u>	0.00	<u>Average Monthly Cost including Assessments</u>	0.00
<u>Monthly Cost Per EDU</u>	0.00		

Similar System Comments

Estill County Water District had a rate increase effective 11/1/2017. With their new rates, the average cost per user is approximately \$38.99 based upon projections and average usage. The above similar system costs are all based upon the same usage levels as Estill County Water District, and each of these systems show a lower cost for the same volume of water.

Number of EDUs - Water

<u>User Type</u>	<u># Users</u>	<u>Vol Per User</u>	<u>Cal EDUs</u>	<u>OR?</u>	<u># EDUs</u>
Residential	3,785	3,200	3,785	N	3,785
TOTALS	3,785	3,200	3,785		3,785
<u>Avg Res Usage</u>	3,200				
<u>Number Res Users</u>	3,785				
<u>Number Other Users</u>	0				

Number of EDUs - Sewer

--	--	--	--	--	--

UNDERWRITING INFORMATION

Print Date Jun 20, 2018

<u>Avg Res Usage</u>	0
<u>Number Res Users</u>	0
<u>Number Other Users</u>	0

EDU Comments

Based upon projections and information as provided to RD by the Water District.

Bulk Cost/1,000 gal or CuFt - Water

<u>Average Monthly Cost/ 1000 Gal or Cu Ft</u>	0.00
<u>Average Ann Cost/ 1000 Gal or Cu Ft</u>	0.00
<u>Wholesale Cost Per 1000 Gal or Cu Ft</u>	0.00

Bulk Cost/1,000 gal or CuFt - Sewer

<u>Average Monthly Cost/ 1000 Gal or Cu Ft</u>	0.00
<u>Average Ann Cost/ 1000 Gal or Cu Ft</u>	0.00
<u>Wholesale Cost Per 1000 Gal or Cu Ft</u>	0.00

Similar System Bulk Comments

no wholesale customers

Bulk Users - Water

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Bulk Users - Sewer

--

Bulk Users Comments

UNDERWRITING INFORMATION

none

Other Operating Income

<u>Other Operating Income Source</u>	<u>Amount</u>
rental & miscellaneous	5,423.00

Other Operating Comments

these estimates are based upon a 3 year average as reflected in Estill County's records.

Non Operating Income

--

Non Operating Comments

none anticipated

O&M Expense (less Interest & Depreciation)

<u>O & M Expense Item</u>	<u>User Desc</u>	<u>Amount</u>
Contract Water Purchase		748,000.00
Salaries/Benefits	District employees	501,000.00
Salaries/Benefits	commissioners	18,000.00
Supplies		77,500.00
Other	Transportation	26,500.00
Insurance		25,700.00
Contract Services - Other	accounting, legal, etc	45,000.00
Utilities		90,000.00
Other	regulatory fees	4,000.00
Other	dues & subscriptions	3,900.00
Other	penalties	6,200.00
Other	advertising	500.00
Supplies	office supplies	3,000.00
Administrative/Office	postage	20,800.00
Other	uniforms	2,500.00
Repairs/Maintenance	repairs, upkeep	25,000.00
Other	bank fees	5,000.00
Other	misc	250.00
TOTALS		1,602,850

O&M Comments

Expenses were assembled by RCAP after meeting iwth District management and thoroughly going through the books and historical expenses. Expenses are based upon a 3 year average and should be accurate. Water purchase amount is increased

UNDERWRITING INFORMATION

above 2017 levels as reflected in 12/31/2017 audit to be realistic. I did reduce legal fees from 3 year average (Estill has spent considerable legal fees fighting with PSC over past two years. With a new Board of Directors in place, and once this restructuring is complete, these legal costs should dramatically be reduced.) Legal costs as reflected are still greater than 2017 actual costs as reflected on 12/31/2017 audit.

Replacement Reserve - Short Lived Assets

1 - 5 Years

5 - 10 Years

10 - 15 Years

<u>User Desc</u>	<u>Replacement Cost</u>	<u>Reserve On Hand</u>	<u>Annual Reserve Amt</u>
tank painting, rehab	150,000.00	0.00	10,000.00
TOTALS	150,000		10,000

Replacement Reserve -Totals

<u>User Desc</u>	<u>Replacement Cost</u>	<u>Reserve On Hand</u>	<u>Annual Reserve Amt</u>
TOTALS	150,000		10,000

Replacement Reserve - Short Lived Assets Comments

This is a water delivery system only. Line repairs and upkeep is covered through typical O&M. We did project and estimate a needed \$150,000 cost over the next 10 to 15 years for water storage tank rehab projects. Other major expenses will require additional borrowed funds.

Other Annual Expenses

Other Annual Expenses Comments

Debt Service and Reserve

<u>Type Loan</u>	<u>Owed To</u>	<u>Org Amt</u>	<u>Balance</u>	<u>Term</u>	<u>Ann Pay Amt</u>	<u>Ann Res Amt</u>	<u>IR</u>
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UNDERWRITING INFORMATION

Print Date Jun 20, 2018

Other	KRWFC	230,000.00	34,000.00	18	18,203.00	0.00	4.0000 %
Other	Citizens Guarant	276,000.00	276,000.00	10	32,004.00	0.00	3.0000 %
TOTALS		506,000	310,000		50,207		

Total Payment Plus Reserve	50,207.00
-----------------------------------	------------------

Debt Service Comments

The debt as shown above to Citizens Guaranty Bank is a consolidation of four existing notes. The bank has agreed to consolidate and restructure the total indebtedness over a term of 10 years at 3.0% interest with monthly payments. A monthly amortization schedule shows a monthly payment of \$2,667 - or an annual payment of 2,667 x 12 or \$32,004.

The KRWFC (Ky Rural Water Finance Corp) has an outstanding principle balance of \$34,000 and has two years remaining. In 2019, a principle payment of \$17,000 + interest is due (total of \$18,203) and then the payoff of \$17,404 is due in 2020.

Commercial Credit (Maximum Loan Amount)

<u>Lender Name</u>	<u>Terms</u>	<u>Interest Rate</u>	<u>Reserve Percent</u>	<u>Max Loan Amount</u>
KRWFC	25	5.0000 %	10.00 %	2,215,650.30
<u>Maximum Commercial Credit Loan</u>				2,215,000.00

Commercial Credit Comments

Estill County is unable to get conventional credit to refinance the existing RUS indebtedness. They have actually tried to obtain financing with Ky Rural Water and were denied.

UNDERWRITING INFORMATION

USDA (Maximum Loan Amount)

Maximum Loan Calculation

State NonMetro MHI	40,418.00
Poverty Income	25,100.00
Project MHI	28,324.00
Project Is Necessary to Alleviate a Health or Sanitary Problem?	Yes
Balance Available for Repayment	172,944.80
Interest Rate Level	Poverty
Interest Rate	2.3750 %
Repayment Period	40
Percent Reserve Required	10.00 %
Maximum Loan Amount	4,030,000.00

MHI Comments

MHI for Estill County is \$28,324 based upon 2010 U.S. Census data. This is only 70% of the state MHI, and the county therefore qualifies for the Poverty Interest rate.

Project Cost

Project Cost Item	User Desc	Amount
Refinancing	Re-Am or RESTRUCTURING of RD indebt	4,008,250.00
TOTALS		4,008,250

Project Cost Comments

estimated balances as of 07/31/2018

UNDERWRITING INFORMATION

Applicant Contribution Calculations

General Fund

Current Assets	283,468.00
less Current Liabilities	167,818.00

less General Funds Retained

Balance Available General Fund	115,650.00
---------------------------------------	-------------------

Enterprise Fund

plus Current Assets Enterprise Fund	
less Current Liabilities Enterprise Fund	

Balance Available Including Enterprise Fund	115,650.00
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less Funded Reserves for:

Operation and Maintenance	115,650.00
Customer Deposits	
Debt Service	

Replacement Reserve - Short Lived Assets	1 to 5 Years
	5 to 10 Years
	10 to 15 Years

Capital Improvements	
Interest Expense (Deferral Period)	
Cost of Issuance of Other Credit	
Other	

less Total Reserves	115,650.00
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Available for Applicant Contribution	0.00
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Amount To Be Contributed	0.00
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Applicant Contribution Comments

Applicant does not have sufficient cash available to repay the delinquent RUS indebtedness, and does not have cash to reduce the existing debt. O&M reserve as shown above is only 7% of total projected annual O&M expenses.

Other Funding Sources

Other Funding Comments

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Contribution Connection/Tap Fees

Number New Connections:
 Connection/Tap Fee Per Connection:
 Contribution Connection Tap Fees: **0.00**

Contribution Connection/Tap Fees Comments

Restructure request only. No new loan and no new users.

Maximum W&W Grant Calculation

Maximum W&W Grant Calculation

State NonMetro MHI	40,418.00
Poverty Income	25,100.00
Project MHI	28,324.00
Project Is Necessary to Alleviate a Health or Sanitary Problem?	Yes
Maximum W&W Grant Eligible Percent	75
Total Project Cost	4,008,250.00
Ineligible Grant Project Cost	
Interest	
Initial O&M	
Other	4,008,250.00
Total	4,008,250.00
Total Grant Eligible Project Cost	0.00
Max USDA Loan	4,030,000.00
Total All Other Funding	0.00
Total Grant Need	0.00
Maximum W&W Grant Amount	0.00

Max Grant Comments

restructuring only - no new funds. No grant available.

Similar System cost comparisons....

Name: Estill County Water District **MHI: \$28,324**

	3,785 residential users	for	12,112,000 gallons		
	residential users	for			
	residential users	for			
totals:	3,785		12,112,000		

12,112,000 total gallons ÷ 3,785 residences = 3,200 gallons/month/EDU
(average gallons/month/residence)

The average residential customer (EDU) in the Estill County Water District uses 3,200 gallons per month.

To accurately compare rates, we calculate the average monthly cost of that same volume usage at the existing rates as charged by each of the following Similar Systems:

Similar System Comparisons:

Residential rates:					
System:	<u>Rowan Water</u>			MHI: \$31,604	
	2,000 gallons (minimum)		\$18.40	=	\$18.40
	1,200 gallons @	\$6.50	/1,000 gal	=	\$7.80
	0 gallons @	\$6.13	/1,000 gal	=	\$0.00
	0 gallons @		/1,000 gal	=	\$0.00
totals:	3,200				\$26.20
System:	<u>Southern Water & Sewer</u>			MHI: \$27,907	
	2,000 gallons (minimum)		\$24.60	=	\$24.60
	1,200 gallons @	\$8.40	/1,000 gal	=	\$10.08
	0 gallons @		/1,000 gal	=	\$0.00
totals:	3,200				\$34.68
System:	<u>East laurel Water Dist #2</u>			MHI: \$36,787	
	2,000 gallons (minimum)		\$19.75	=	\$19.75
	1,200 gallons @	\$7.64	/1,000 gal	=	\$9.17
	0 gallons @	\$2.63	/1,000 gal	=	\$0.00
totals:	3,200				\$28.92
System:	<u>Western Pulaski Water District</u>			MHI: \$32,771	
	2,000 gallons (minimum)		\$15.34	=	\$15.34
	1,200 gallons @	\$5.82	/1,000 gal	=	\$6.98
	0 gallons @	\$0.00	/1,000 gal	=	\$0.00
totals:	3,200				\$22.32

Average Similar System residential (EDU) rate: \$28.03

REAMORTIZATION REQUEST

Name of Borrower Estill County Water District	Case Number 20-033-061065410	Project Number
Address 76 Cedar Grove Road; Irvine, KY 42728	State Kentucky	County Estill
Type of Loan WEP	<input checked="" type="checkbox"/> Direct <input type="checkbox"/> Insure	Date(s) of Notes
Original Amount of Loan(s) and Grant(s) \$ 4,746,000.00 \$	Amount to be reamortized \$ 4,008,250.00	Period of Reamortization Years 40 Mo. 0
Interest Rate 2.3750 %	Reamortized \$ Installment \$156,362.00	

Present Problem and Reasons for Request (Give full detail)

Estill County Water District is delinquent on the 2/1/2018 installments as due on the USDA RUS indebtedness. We are unable to make the payments as due, and are unable to generate sufficient cash flows to "catch up" the delinquent amount through a work-out agreement. We have had some financial setbacks due to lack of cashflow caused by insufficient rates and excess water loss. At this point, we have a new Board of Directors and are under new management. We are working diligently to reduce water losses and we have instituted a rate increase to improve operations. We are making progress, but request RD to restructure our existing delinquent indebtedness to allow us to be successful.

Date 6-20-18 Estill County Water District
Borrower

SEAL

B Blair Klein
y Attest: Robert Skip Johnson
Secretary

Recommendations and Proof that Borrower Has Made Payments for at Least a Year or can Make Payments in an Amount Necessary to Keep the Reamortized Account Current:

Borrower has made strides to reduce water losses and increase revenues. Borrower has presented a realistic and attainable budget that does demonstrate the ability to make the full payments from hereforward if all existing indebtedness is restructured and reamortized in accordance with RUS Staff Instruction 1782-1, 1782.20(m) (3) at the existing Poverty Interest rate for a new 40 yr term.

Date 6-20-18 Step E. Pude
Date Servicing Official

Recommendations:

I concur with the above recommendations, and hereby do forward this request to the National Office requesting an exception from the Assistant Administrator in accordance with 1782.20 (m) (3) to allow the interest rate on all RUS debt to be adjusted to the existing Poverty Interest rate, and a new term of 40 years to be provided.

Date 6-20-2018 [Signature]
Date Program Director/District Director

Recommendations and/or Final Action

I concur with the above recommendations and fully support this request. This action is in accordance with existing regulations and will enable the Water District to continue to provide needed potable water service to this rural area. Estill County is a Persistent Poverty County and is a Strike Force county.

Date 6/20/2018 [Signature]
Date Actng. State Director

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0137 and 0575-0066. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Hollinsworth, Anthony - RD, Lexington, KY

From: Wuetcher, Gerald <Gerald.Wuetcher@skofirm.com>
Sent: Monday, August 6, 2018 11:52 AM
To: Blain Click; 'j.stickney@krwa.org'; rwj54@windstream.net
Cc: a.miller@estillcountywater.com; Hollinsworth, Anthony - RD, Lexington, KY
Subject: Estill County Water District No. 1

I spoke today with Mike Wilson of Citizens Guaranty Bank. On behalf of the Bank, he has agreed to the restructuring terms that Estill District proposed for the four outstanding loans. These terms are: The total outstanding balance would be consolidated into one loan. The consolidated loans would have a 10-year term and an initial interest rate of three percent per annum. The consolidated loan could be prepaid without penalty. CGB would have the same security interest as it presently has under the existing loans. The interest rate on the loan would be readjusted on the third and seventh anniversaries of the loan's execution to the current market rate. The interest rate, however, could not exceed the interest rate of the most recent auction of 2-year US Treasury Notes at the time of loan anniversary plus 1.5% and could not be adjusted lower than 3.0 percent.

He will send a commitment letter on behalf of the CGB to Estill District by the end of the week.

I will be preparing the application for PSC approval of the restructuring. The District can file as soon as it has confirmation of approval of the restructuring of the Rural Development loans.

If you have any questions, please contact me.

Sincerely,

Jerry



Gerald E. Wuetcher
Counsel to the Firm
859-231-3017 Direct
859-550-3894 Mobile
300 W. Vine Street, Ste. 2100
Lexington, KY 40507-1801

The following message, and any documents or previous e-mails attached to it, may contain confidential information protected by the attorney-client privilege. If it was sent to you in error, do not read it. Please inform the sender that you received it and then delete it. Thank you.

EXHIBIT 8



OCT 15 2018

Rural Development

Rural Utilities Service

1400 Independence
Ave SW, Room 5145
Stop 1570
Washington, DC
20250

Voice 202.690.2670
Fax 202.690.0649

SUBJECT: Estill County Water District, KY
Reamortization with an Interest Rate Adjustment

TO: Hilda Legg
State Director
Rural Development
Lexington, Kentucky

FROM: Christopher A. McLean
Acting Administrator
Rural Utilities Service

The Estill County Water District (District) has requested a reamortization and reduction in the interest rates of loans 91-07, 91-09, 91-10, 91-13, 91-16, and 91-19. The National Office staff of the Water and Environmental Programs (WEP) has reviewed the request, supporting documentation, and your recommendation for approval. After evaluating the materials and available information, WEP concurs with this action. The reamortization of these loans is authorized at the poverty interest rate prevailing at the time this reamortization is processed.

We conducted our review according to RD Staff Instruction 1782-1, §1782.20(l) and (m). The District's new board of directors has worked diligently to raise rates to meet all operational costs, obligations, and debt repayment. It has acted in good faith to resolve the delinquencies.

We agree the reamortization is the best course for the District to regain and maintain sustainability. It is in the Government's best interest and reasonably assures recovery of the debt. We are authorizing the reamortization of the six loans with an interest rate adjustment to the current poverty rate and the rescheduling of the loans to an extended term not to exceed 40 years. As a condition of this concurrence, the borrower will be required to utilize the preauthorization debit (PAD) payment method for this and all future loans with Rural Development.

Please follow the procedures outlined in RD Staff Instruction 1782-1, §1782.20 for processing debt settlement, particularly §1782.20(l)(5). However, note that §1782.20(m) will apply for the interest rate adjustment. Your staff should work with your regional Office of the General Counsel (OGC) and the National Financial and Accounting Operations Center (NFAOC) to ensure the proper debt instruments are used and the Government's security interest is adequately protected.

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

After OGC concurrence is obtained and the reamortizations are closed, forward the following documents to NFAOC for processing: RD Form 1951-33, "Reamortization Request," if OGC recommends its use; a copy of this letter; and other appropriate documentation. Send them to the attention of Ginger Luke, Chief, Community Services Branch, Direct Loan Division. For processing information, she may be reached by telephone, (314) 457-4064; fax, (314) 457-4284; or email, virginia.luke@stl.usda.gov.

Additionally, for the reamortized loans, please provide the Water Programs Division:

- Principal, interest, and total amounts,
- Closing date,
- Date signed agreements are forwarded to the NFAOC,
- Date the NFAOC processed the transaction.

If you have any questions about our review, please contact Community Programs Specialist Lorrie Davis at (202) 720-1938 or email her at lorrie.davis@wdc.usda.gov.

Attachment

EXHIBIT 9

Annual Amortization Factor & Amortization Schedule			
Enter Name of the Borrower Here			
\$	4,066,692.53	Loan Amount	
	2.375%	Interest Rate (entered as a percentage i.e. 3.625%)	
	40	Term	
	0	# of Years of Principal Deferral (Select from drop-down)	
	40	Amortization Period	
	1	Payments per Year	
	39.01	Amortization Factor	
\$	158,642.00	Payment	
	12/31/2018	Date of Loan Closing	
	Payment	Interest	Principal
	12/31/2019	\$ 96,583.95	\$ 62,058.05
	12/31/2020	\$ 95,370.64	\$ 63,271.36
	12/31/2021	\$ 93,607.37	\$ 65,034.63
	12/31/2022	\$ 92,062.80	\$ 66,579.20
	12/31/2023	\$ 90,481.55	\$ 68,160.45
	12/31/2024	\$ 89,106.19	\$ 69,535.81
	12/31/2025	\$ 87,211.26	\$ 71,430.74
	12/31/2026	\$ 85,514.78	\$ 73,127.22
	12/31/2027	\$ 83,778.01	\$ 74,863.99
	12/31/2028	\$ 82,224.65	\$ 76,417.35
	12/31/2029	\$ 80,185.08	\$ 78,456.92
	12/31/2030	\$ 78,321.72	\$ 80,320.28
	12/31/2031	\$ 76,414.12	\$ 82,227.88
	12/31/2032	\$ 74,665.21	\$ 83,976.79
	12/31/2033	\$ 72,466.76	\$ 86,175.24
	12/31/2034	\$ 70,420.09	\$ 88,221.91
	12/31/2035	\$ 68,324.82	\$ 90,317.18
	12/31/2036	\$ 66,361.11	\$ 92,280.89
	12/31/2037	\$ 63,988.12	\$ 94,653.88
	12/31/2038	\$ 61,740.09	\$ 96,901.91
	12/31/2039	\$ 59,438.67	\$ 99,203.33
	12/31/2040	\$ 57,238.98	\$ 101,403.02
	12/31/2041	\$ 54,674.27	\$ 103,967.73
	12/31/2042	\$ 52,205.04	\$ 106,436.96
	12/31/2043	\$ 49,677.16	\$ 108,964.84
	12/31/2044	\$ 47,218.25	\$ 111,423.75
	12/31/2045	\$ 44,442.93	\$ 114,199.07
	12/31/2046	\$ 41,730.70	\$ 116,911.30
	12/31/2047	\$ 38,954.06	\$ 119,687.94
	12/31/2048	\$ 36,210.40	\$ 122,431.60
	12/31/2049	\$ 33,203.72	\$ 125,438.28
	12/31/2050	\$ 30,224.56	\$ 128,417.44
	12/31/2051	\$ 27,174.65	\$ 131,467.35

12/31/2052	\$	24,118.19	\$	134,523.81
12/31/2053	\$	20,857.36	\$	137,784.64
12/31/2054	\$	17,584.97	\$	141,057.03
12/31/2055	\$	14,234.87	\$	144,407.13
12/31/2056	\$	10,834.80	\$	147,807.20
12/31/2057	\$	7,294.77	\$	151,347.23
12/31/2058	\$	3,700.28	\$	154,941.72
12/31/2059	\$	20.41	\$	158,621.59
12/31/2060	\$	-	\$	-
12/31/2061	\$	-	\$	-
12/31/2062	\$	-	\$	-
12/31/2063	\$	-	\$	-
12/31/2064	\$	-	\$	-
12/31/2065	\$	-	\$	-
12/31/2066	\$	-	\$	-
12/31/2067	\$	-	\$	-
12/31/2068	\$	-	\$	-
12/31/2069	\$	-	\$	-
12/31/2070	\$	-	\$	-
12/31/2071	\$	-	\$	-
12/31/2072	\$	-	\$	-
12/31/2073	\$	-	\$	-
12/31/2074	\$	-	\$	-
12/31/2075	\$	-	\$	-
12/31/2076	\$	-	\$	-
12/31/2077	\$	-	\$	-
12/31/2078	\$	-	\$	-
12/31/2079	\$	-	\$	-
12/31/2080	\$	-	\$	-
12/31/2081	\$	-	\$	-
12/31/2082	\$	-	\$	-
12/31/2083	\$	-	\$	-
12/31/2084	\$	-	\$	-
12/31/2085	\$	-	\$	-
12/31/2086	\$	-	\$	-
12/31/2087	\$	-	\$	-
12/31/2088	\$	-	\$	-
12/31/2089	\$	-	\$	-
12/31/2090	\$	-	\$	-
12/31/2091	\$	-	\$	-
12/31/2092	\$	-	\$	-
12/31/2093	\$	-	\$	-
12/31/2094	\$	-	\$	-
12/31/2095	\$	-	\$	-
12/31/2096	\$	-	\$	-
12/31/2097	\$	-	\$	-
12/31/2098	\$	-	\$	-

EXHIBIT 10

P.O. Box 630 • 25 River Drive
Irvine, Kentucky 40336
606-723-2139

West Irvine Plaza
Irvine, Kentucky 40336
606-723-2138



www.MyCGB.com • Member FDIC

August 13, 2018

Attention: Gerald E. Wuetcher
Attorney f/b/o Estill County Water District #1
Stoll, Keenon, and Ogden PLLC
300 W. Vine Street, Ste. 2100
Lexington, Kentucky 40507-1801

This letter is to acknowledge that Citizens Guaranty Bank has committed to consolidate the Estill County Water District's current four loans into one loan with an outstanding balance of approximately \$264,779.28. The consolidated loans will be amortized over a ten-year term and have an initial interest rate of three percent per annum. The interest rate on the consolidated loan would be readjusted on the third and seventh anniversaries of the loan's execution date to the current market rate. The interest rate; however, could not exceed the interest rate of the most recent auction of two-year US Treasury Notes at the time of the loan anniversary plus 1.5% and could not be adjusted lower than 3%. The consolidated loan could be prepaid without penalty. In addition, the bank will continue to maintain the same security interest as it presently has under the existing loans. This commitment will be honored by Citizens Guaranty Bank for a period of 90 days from the date of this commitment letter. Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Michael D. Wilson". The signature is written in a cursive style.

Michael D. Wilson
President

P.O. Box 630 • 25 River Drive
Irvine, Kentucky 40336
606-723-2139

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Irvine, Kentucky 40336
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November 30, 2018

Attention: Gerald E. Wuetcher
Attorney f/b/o Estill County Water District #1
Stoll, Keenon, and Ogden PLLC
300 W. Vine Street, Ste. 2100
Lexington, Kentucky 40507-1801

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Sincerely,

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Michael D. Wilson
President

EXHIBIT 11

EXPECTED AMORTIZATION SCHEDULE FOR CONSOLIDATED LOAN

Payment No	Payment Date	Payment Amount	Interest	Principal	Remaining Balance
	12/31/2018	\$ -	\$ -	\$ -	\$ 238,713.00
1	1/31/2019	\$ 2,305.03	\$ 608.21	\$ 1,696.82	\$ 237,016.18
2	2/28/2019	\$ 2,305.03	\$ 545.45	\$ 1,759.58	\$ 235,256.60
3	3/31/2019	\$ 2,305.03	\$ 599.41	\$ 1,705.62	\$ 233,550.98
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32	8/31/2021	\$ 2,305.03	\$ 468.06	\$ 1,836.97	\$ 181,867.50
33	9/30/2021	\$ 2,305.03	\$ 448.43	\$ 1,856.60	\$ 180,010.90
34	10/31/2021	\$ 2,305.03	\$ 458.65	\$ 1,846.38	\$ 178,164.51
35	11/30/2021	\$ 2,305.03	\$ 439.30	\$ 1,865.73	\$ 176,298.78
36	12/31/2021	\$ 2,305.03	\$ 449.19	\$ 1,855.84	\$ 174,442.94

37	1/31/2022	\$ 2,305.03	\$ 444.46	\$ 1,860.57	\$ 172,582.38
38	2/28/2022	\$ 2,305.03	\$ 397.17	\$ 1,907.86	\$ 170,674.51
39	3/31/2022	\$ 2,305.03	\$ 434.86	\$ 1,870.17	\$ 168,804.34
40	4/30/2022	\$ 2,305.03	\$ 416.22	\$ 1,888.81	\$ 166,915.53
41	5/31/2022	\$ 2,305.03	\$ 425.28	\$ 1,879.75	\$ 165,035.79
42	6/30/2022	\$ 2,305.03	\$ 406.93	\$ 1,898.10	\$ 163,137.68
43	7/31/2022	\$ 2,305.03	\$ 415.66	\$ 1,889.37	\$ 161,248.31
44	8/31/2022	\$ 2,305.03	\$ 410.84	\$ 1,894.19	\$ 159,354.12
45	9/30/2022	\$ 2,305.03	\$ 392.92	\$ 1,912.11	\$ 157,442.01
46	10/31/2022	\$ 2,305.03	\$ 401.14	\$ 1,903.89	\$ 155,538.13
47	11/30/2022	\$ 2,305.03	\$ 383.51	\$ 1,921.52	\$ 153,616.61
48	12/31/2022	\$ 2,305.03	\$ 391.40	\$ 1,913.63	\$ 151,702.98
49	1/31/2023	\$ 2,305.03	\$ 386.52	\$ 1,918.51	\$ 149,784.47
50	2/28/2023	\$ 2,305.03	\$ 344.70	\$ 1,960.33	\$ 147,824.14
51	3/31/2023	\$ 2,305.03	\$ 376.64	\$ 1,928.39	\$ 145,895.75
52	4/30/2023	\$ 2,305.03	\$ 359.74	\$ 1,945.29	\$ 143,950.46
53	5/31/2023	\$ 2,305.03	\$ 366.77	\$ 1,938.26	\$ 142,012.20
54	6/30/2023	\$ 2,305.03	\$ 350.16	\$ 1,954.87	\$ 140,057.33
55	7/31/2023	\$ 2,305.03	\$ 356.85	\$ 1,948.18	\$ 138,109.15
56	8/31/2023	\$ 2,305.03	\$ 351.89	\$ 1,953.14	\$ 136,156.00
57	9/30/2023	\$ 2,305.03	\$ 335.72	\$ 1,969.31	\$ 134,186.69
58	10/31/2023	\$ 2,305.03	\$ 341.89	\$ 1,963.14	\$ 132,223.56
59	11/30/2023	\$ 2,305.03	\$ 326.02	\$ 1,979.01	\$ 130,244.55
60	12/31/2023	\$ 2,305.03	\$ 331.85	\$ 1,973.18	\$ 128,271.37
61	1/31/2024	\$ 2,305.03	\$ 325.95	\$ 1,979.08	\$ 126,292.29
62	2/29/2024	\$ 2,305.03	\$ 300.21	\$ 2,004.82	\$ 124,287.47
63	3/31/2024	\$ 2,305.03	\$ 315.82	\$ 1,989.21	\$ 122,298.26
64	4/30/2024	\$ 2,305.03	\$ 300.74	\$ 2,004.29	\$ 120,293.98
65	5/31/2024	\$ 2,305.03	\$ 305.68	\$ 1,999.35	\$ 118,294.62
66	6/30/2024	\$ 2,305.03	\$ 290.90	\$ 2,014.13	\$ 116,280.49
67	7/31/2024	\$ 2,305.03	\$ 295.48	\$ 2,009.55	\$ 114,270.94
68	8/31/2024	\$ 2,305.03	\$ 291.15	\$ 2,013.88	\$ 112,257.06
69	9/30/2024	\$ 2,305.03	\$ 276.05	\$ 2,028.98	\$ 110,228.08
70	10/31/2024	\$ 2,305.03	\$ 280.10	\$ 2,024.93	\$ 108,203.14
71	11/30/2024	\$ 2,305.03	\$ 266.08	\$ 2,038.95	\$ 106,164.20
72	12/31/2024	\$ 2,305.03	\$ 269.77	\$ 2,035.26	\$ 104,128.94
73	1/31/2025	\$ 2,305.03	\$ 265.31	\$ 2,039.72	\$ 102,089.22
74	2/28/2025	\$ 2,305.03	\$ 234.94	\$ 2,070.09	\$ 100,019.13
75	3/31/2025	\$ 2,305.03	\$ 254.84	\$ 2,050.19	\$ 97,968.93
76	4/30/2025	\$ 2,305.03	\$ 241.56	\$ 2,063.47	\$ 95,905.47
77	5/31/2025	\$ 2,305.03	\$ 244.36	\$ 2,060.67	\$ 93,844.79
78	6/30/2025	\$ 2,305.03	\$ 231.39	\$ 2,073.64	\$ 91,771.16
79	7/31/2025	\$ 2,305.03	\$ 233.82	\$ 2,071.21	\$ 89,699.95

80	8/31/2025	\$ 2,305.03	\$ 228.55	\$ 2,076.48	\$ 87,623.46
81	9/30/2025	\$ 2,305.03	\$ 216.05	\$ 2,088.98	\$ 85,534.49
82	10/31/2025	\$ 2,305.03	\$ 217.93	\$ 2,087.10	\$ 83,447.39
83	11/30/2025	\$ 2,305.03	\$ 205.76	\$ 2,099.27	\$ 81,348.12
84	12/31/2025	\$ 2,305.03	\$ 207.27	\$ 2,097.76	\$ 79,250.35
85	1/31/2026	\$ 2,305.03	\$ 201.92	\$ 2,103.11	\$ 77,147.24
86	2/28/2026	\$ 2,305.03	\$ 177.54	\$ 2,127.49	\$ 75,019.75
87	3/31/2026	\$ 2,305.03	\$ 191.14	\$ 2,113.89	\$ 72,905.87
88	4/30/2026	\$ 2,305.03	\$ 179.76	\$ 2,125.27	\$ 70,780.60
89	5/31/2026	\$ 2,305.03	\$ 180.34	\$ 2,124.69	\$ 68,655.91
90	6/30/2026	\$ 2,305.03	\$ 169.28	\$ 2,135.75	\$ 66,520.17
91	7/31/2026	\$ 2,305.03	\$ 169.49	\$ 2,135.54	\$ 64,384.62
92	8/31/2026	\$ 2,305.03	\$ 164.04	\$ 2,140.99	\$ 62,243.64
93	9/30/2026	\$ 2,305.03	\$ 153.47	\$ 2,151.56	\$ 60,092.08
94	10/31/2026	\$ 2,305.03	\$ 153.11	\$ 2,151.92	\$ 57,940.16
95	11/30/2026	\$ 2,305.03	\$ 142.86	\$ 2,162.17	\$ 55,777.99
96	12/31/2026	\$ 2,305.03	\$ 142.12	\$ 2,162.91	\$ 53,615.08
97	1/31/2027	\$ 2,305.03	\$ 136.61	\$ 2,168.42	\$ 51,446.65
98	2/28/2027	\$ 2,305.03	\$ 118.40	\$ 2,186.63	\$ 49,260.02
99	3/31/2027	\$ 2,305.03	\$ 125.51	\$ 2,179.52	\$ 47,080.50
100	4/30/2027	\$ 2,305.03	\$ 116.09	\$ 2,188.94	\$ 44,891.55
101	5/31/2027	\$ 2,305.03	\$ 114.38	\$ 2,190.65	\$ 42,700.90
102	6/30/2027	\$ 2,305.03	\$ 105.29	\$ 2,199.74	\$ 40,501.16
103	7/31/2027	\$ 2,305.03	\$ 103.19	\$ 2,201.84	\$ 38,299.32
104	8/31/2027	\$ 2,305.03	\$ 97.58	\$ 2,207.45	\$ 36,091.88
105	9/30/2027	\$ 2,305.03	\$ 88.99	\$ 2,216.04	\$ 33,875.84
106	10/31/2027	\$ 2,305.03	\$ 86.31	\$ 2,218.72	\$ 31,657.12
107	11/30/2027	\$ 2,305.03	\$ 78.06	\$ 2,226.97	\$ 29,430.15
108	12/31/2027	\$ 2,305.03	\$ 74.98	\$ 2,230.05	\$ 27,200.10
109	1/31/2028	\$ 2,305.03	\$ 69.12	\$ 2,235.91	\$ 24,964.19
110	2/29/2028	\$ 2,305.03	\$ 59.34	\$ 2,245.69	\$ 22,718.50
111	3/31/2028	\$ 2,305.03	\$ 57.73	\$ 2,247.30	\$ 20,471.20
112	4/30/2028	\$ 2,305.03	\$ 50.34	\$ 2,254.69	\$ 18,216.51
113	5/31/2028	\$ 2,305.03	\$ 46.29	\$ 2,258.74	\$ 15,957.77
114	6/30/2028	\$ 2,305.03	\$ 39.24	\$ 2,265.79	\$ 13,691.98
115	7/31/2028	\$ 2,305.03	\$ 34.79	\$ 2,270.24	\$ 11,421.75
116	8/31/2028	\$ 2,305.03	\$ 29.02	\$ 2,276.01	\$ 9,145.74
117	9/30/2028	\$ 2,305.03	\$ 22.49	\$ 2,282.54	\$ 6,863.20
118	10/31/2028	\$ 2,305.03	\$ 17.44	\$ 2,287.59	\$ 4,575.61
119	11/30/2028	\$ 2,305.03	\$ 11.25	\$ 2,293.78	\$ 2,281.83
120	12/31/2028	\$ 2,287.63	\$ 5.80	\$ 2,281.83	

EXHIBIT 12

Page 1

NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

For DLG staff use only:

File # _____
Received _____

Completion and delivery of this form to the address below shall satisfy the requirements of KRS 65.117, which prohibits any city, county, urban-county, consolidated local government, charter county, special district, or taxing district from entering into any financing obligation of any nature, except leases under \$200,000, without first notifying the state local debt officer in writing. This form shall also serve as application for approval of debt issuance when applicable. An electronic version of the form is available at www.dlg.ky.gov.

✓ **Type of debt to be issued (must check one):** **SLDO Approval Required** **Complete Sections**

<input type="checkbox"/> Short Term Borrowing - KRS 65.7701 et seq.	No	A, B, C
<input type="checkbox"/> Lease from \$200,000 - \$500,000 - KRS 65.940 et seq.	No	A, B, D
<input type="checkbox"/> Lease exceeding \$500,000 - KRS 65.940 et seq.	Yes (Counties only)	A, B, D
<input type="checkbox"/> General Obligation Bond - KRS Chapter 66	Yes (Counties only)	A, B, E
<input type="checkbox"/> Public Project Rev. Bond - KRS Chapter 58	No	A, B, E
<input type="checkbox"/> Public Project Rev. Bond w/Lease - KRS 66.310(2)	Yes (Counties only)	A, B, D, E
<input type="checkbox"/> Industrial Revenue Bond - KRS Chapter 103	Yes (All Borrowers)	A, B, F
<input type="checkbox"/> Other Bonds (True Revenue, Utility Assessment, TIF)	No	A, B, E

Section A - Borrower Information

Agency Name	Estill County Water District No. 1		
Governing Body	Board of Commissioners		
Street Address	76 Cedar Grove Road		
P.O. Box #	City	Irvine	
County	Estill	Zip	40336
Authorized Official	Chairman, Board of Commissioners		

Section B - Terms of Financial Obligation

Please provide all relevant information. Fields in **bold** are mandatory.

Principle Amount:	\$238,713	Date of Issue:	12/31/2018
Maturity Date(s):	12/31/2028	Payment Schedule:	(must attach schedule)
Term:	120 Months	Number of Renewal Periods:	0
Interest Rate(s):	3.00	Type of Interest (fixed or variable):	Variable*
Retirement Method:	Monthly payment of interest and principal		
Lender's Name:	Citizens Guaranty Bank of Irvine, Kentucky		
Lender's Address:	25 River Drive Irvine, KY		
Right of Termination:	No right of termination		
Termination Penalties:	None		
Prepayment Provisions:	Prepayment permitted without penalty		
Trustee or Paying Agent:	None		
AOC Funded Percentage:	0.00		

*The proposed loan provides that the interest rate may be adjusted to the current market rate on the 3rd and 7th anniversaries of the execution of the loan agreement. Limits are placed on the amount of increase.

Page 2

NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

Section C - Note (Loan) Information/Documentation

Purpose - Briefly explain the documented need that necessitates this note (loan) and the public purpose it is intended to address. (Attach additional information if necessary):

Loan will refinance four existing promissory notes that were issued to meet operational expense and long-term debt service and to acquire a service vehicle

Pledge of Taxes/Description:

Not Applicable

Pledge of Revenue/Description:

All current and future account receivables

Pledge of Project Revenues (Attach documentation which substantiates the revenue projections):

Not Applicable

Have bids been sought by the local governments to determine the financial and programmatic competitiveness of the note (loan) proposal? Yes No

If No, explain what steps were taken to ensure adequate competition.

The proposed lender is refinancing and consolidating its existing loans and has agreed to do so at a rate that is currently below market. Outside of obtaining financing from a governmental agency, a lower rate of interest could not likely be procured.

Required Attachments

- 1. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the note and statement as to taxes and revenues to be collected during the term of the note.

Section D - Lease Information/Documentation

Describe the real or personal property to be acquired or constructed:

Not Applicable

Type of Lease : General Obligation Revenue

Is Lease Annually Renewable? Yes No

Does Agency seek approval without a hearing? Yes No Justification: Revenue Refunding

If yes, must attach certification from counsel regarding county obligation.

Does this lease refund a prior lease? Yes No

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Required Attachments (If lease requires SLDO approval)

- 1. Minutes from the local public hearing
- 2. Affidavit of publication of SLDO hearing (if hearing is required) and newspaper advertisement tear sheet
- 3. Copy of lease
- 4. Executed copy of ordinance/resolution of fiscal court authorizing the lease
- 5. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the lease and statement as to taxes and revenues to be collected during the term of the lease.

Page 3

NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

Section E - Bond Information/Documentation

Please provide all relevant information. Fields in **bold** are mandatory

Describe the purpose of the bond:

Not Applicable

Bond Counsel:

Counsel Address:

Financial Advisor:

Advisor Address:

Bond Series:

Call Date:

Does this bond refund a prior bond? Yes No

If yes, please state the name, date and principal amount of original issue(s) being refunded:


Required Attachments (If SLDO Approval is Required)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing and newspaper advertisement tear sheet
3. Executed copy of ordinance/resolution of fiscal court authorizing financial plan for the issuance of the bonds
4. Proposed plan of financing
5. Preliminary official statement (if applicable)
6. Sources and uses table

Additional Required Attachments for KRS Chapter 103 Bonds

1. Documentation in an appropriate form substantiating the project's eligibility under KRS 103.2101(1)(a)-(e).
2. If the project requires approval of the reduction in property taxes, attach any documentation provided to agency responsible for approval.

By signing below, the Authorized Official certifies that the foregoing is true and accurate to the best of his or her knowledge.

Name (please print)	Blain Click	Date:	11/29/2018
Title:	Chairman, Board of Commissioners	Signature:	

Mail to:
 Department for Local Government
 Attn: State Local Debt Officer
 1024 Capital Center Drive, Suite 340
 Frankfort, KY 40601

Fax to: 502-573-3712

Payment No	Payment Date	Payment Amount	Interest	Principal	Remaining Balance
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31	7/31/2021	\$ 2,305.03	\$ 472.73	\$ 1,832.30	\$ 183,704.47
32	8/31/2021	\$ 2,305.03	\$ 468.06	\$ 1,836.97	\$ 181,867.50
33	9/30/2021	\$ 2,305.03	\$ 448.43	\$ 1,856.60	\$ 180,010.90
34	10/31/2021	\$ 2,305.03	\$ 458.65	\$ 1,846.38	\$ 178,164.51
35	11/30/2021	\$ 2,305.03	\$ 439.30	\$ 1,865.73	\$ 176,298.78
36	12/31/2021	\$ 2,305.03	\$ 449.19	\$ 1,855.84	\$ 174,442.94
37	1/31/2022	\$ 2,305.03	\$ 444.46	\$ 1,860.57	\$ 172,582.38
38	2/28/2022	\$ 2,305.03	\$ 397.17	\$ 1,907.86	\$ 170,674.51
39	3/31/2022	\$ 2,305.03	\$ 434.86	\$ 1,870.17	\$ 168,804.34
40	4/30/2022	\$ 2,305.03	\$ 416.22	\$ 1,888.81	\$ 166,915.53
41	5/31/2022	\$ 2,305.03	\$ 425.28	\$ 1,879.75	\$ 165,035.79
42	6/30/2022	\$ 2,305.03	\$ 406.93	\$ 1,898.10	\$ 163,137.68

43	7/31/2022	\$	2,305.03	\$	415.66	\$	1,889.37	\$	161,248.31
44	8/31/2022	\$	2,305.03	\$	410.84	\$	1,894.19	\$	159,354.12
45	9/30/2022	\$	2,305.03	\$	392.92	\$	1,912.11	\$	157,442.01
46	10/31/2022	\$	2,305.03	\$	401.14	\$	1,903.89	\$	155,538.13
47	11/30/2022	\$	2,305.03	\$	383.51	\$	1,921.52	\$	153,616.61
48	12/31/2022	\$	2,305.03	\$	391.40	\$	1,913.63	\$	151,702.98
49	1/31/2023	\$	2,305.03	\$	386.52	\$	1,918.51	\$	149,784.47
50	2/28/2023	\$	2,305.03	\$	344.70	\$	1,960.33	\$	147,824.14
51	3/31/2023	\$	2,305.03	\$	376.64	\$	1,928.39	\$	145,895.75
52	4/30/2023	\$	2,305.03	\$	359.74	\$	1,945.29	\$	143,950.46
53	5/31/2023	\$	2,305.03	\$	366.77	\$	1,938.26	\$	142,012.20
54	6/30/2023	\$	2,305.03	\$	350.16	\$	1,954.87	\$	140,057.33
55	7/31/2023	\$	2,305.03	\$	356.85	\$	1,948.18	\$	138,109.15
56	8/31/2023	\$	2,305.03	\$	351.89	\$	1,953.14	\$	136,156.00
57	9/30/2023	\$	2,305.03	\$	335.72	\$	1,969.31	\$	134,186.69
58	10/31/2023	\$	2,305.03	\$	341.89	\$	1,963.14	\$	132,223.56
59	11/30/2023	\$	2,305.03	\$	326.02	\$	1,979.01	\$	130,244.55
60	12/31/2023	\$	2,305.03	\$	331.85	\$	1,973.18	\$	128,271.37
61	1/31/2024	\$	2,305.03	\$	325.95	\$	1,979.08	\$	126,292.29
62	2/29/2024	\$	2,305.03	\$	300.21	\$	2,004.82	\$	124,287.47
63	3/31/2024	\$	2,305.03	\$	315.82	\$	1,989.21	\$	122,298.26
64	4/30/2024	\$	2,305.03	\$	300.74	\$	2,004.29	\$	120,293.98
65	5/31/2024	\$	2,305.03	\$	305.68	\$	1,999.35	\$	118,294.62
66	6/30/2024	\$	2,305.03	\$	290.90	\$	2,014.13	\$	116,280.49
67	7/31/2024	\$	2,305.03	\$	295.48	\$	2,009.55	\$	114,270.94
68	8/31/2024	\$	2,305.03	\$	291.15	\$	2,013.88	\$	112,257.06
69	9/30/2024	\$	2,305.03	\$	276.05	\$	2,028.98	\$	110,228.08
70	10/31/2024	\$	2,305.03	\$	280.10	\$	2,024.93	\$	108,203.14
71	11/30/2024	\$	2,305.03	\$	266.08	\$	2,038.95	\$	106,164.20
72	12/31/2024	\$	2,305.03	\$	269.77	\$	2,035.26	\$	104,128.94
73	1/31/2025	\$	2,305.03	\$	265.31	\$	2,039.72	\$	102,089.22
74	2/28/2025	\$	2,305.03	\$	234.94	\$	2,070.09	\$	100,019.13
75	3/31/2025	\$	2,305.03	\$	254.84	\$	2,050.19	\$	97,968.93
76	4/30/2025	\$	2,305.03	\$	241.56	\$	2,063.47	\$	95,905.47
77	5/31/2025	\$	2,305.03	\$	244.36	\$	2,060.67	\$	93,844.79
78	6/30/2025	\$	2,305.03	\$	231.39	\$	2,073.64	\$	91,771.16
79	7/31/2025	\$	2,305.03	\$	233.82	\$	2,071.21	\$	89,699.95
80	8/31/2025	\$	2,305.03	\$	228.55	\$	2,076.48	\$	87,623.46
81	9/30/2025	\$	2,305.03	\$	216.05	\$	2,088.98	\$	85,534.49
82	10/31/2025	\$	2,305.03	\$	217.93	\$	2,087.10	\$	83,447.39
83	11/30/2025	\$	2,305.03	\$	205.76	\$	2,099.27	\$	81,348.12
84	12/31/2025	\$	2,305.03	\$	207.27	\$	2,097.76	\$	79,250.35
85	1/31/2026	\$	2,305.03	\$	201.92	\$	2,103.11	\$	77,147.24
86	2/28/2026	\$	2,305.03	\$	177.54	\$	2,127.49	\$	75,019.75
87	3/31/2026	\$	2,305.03	\$	191.14	\$	2,113.89	\$	72,905.87
88	4/30/2026	\$	2,305.03	\$	179.76	\$	2,125.27	\$	70,780.60
89	5/31/2026	\$	2,305.03	\$	180.34	\$	2,124.69	\$	68,655.91

90	6/30/2026	\$	2,305.03	\$	169.28	\$	2,135.75	\$	66,520.17
91	7/31/2026	\$	2,305.03	\$	169.49	\$	2,135.54	\$	64,384.62
92	8/31/2026	\$	2,305.03	\$	164.04	\$	2,140.99	\$	62,243.64
93	9/30/2026	\$	2,305.03	\$	153.47	\$	2,151.56	\$	60,092.08
94	10/31/2026	\$	2,305.03	\$	153.11	\$	2,151.92	\$	57,940.16
95	11/30/2026	\$	2,305.03	\$	142.86	\$	2,162.17	\$	55,777.99
96	12/31/2026	\$	2,305.03	\$	142.12	\$	2,162.91	\$	53,615.08
97	1/31/2027	\$	2,305.03	\$	136.61	\$	2,168.42	\$	51,446.65
98	2/28/2027	\$	2,305.03	\$	118.40	\$	2,186.63	\$	49,260.02
99	3/31/2027	\$	2,305.03	\$	125.51	\$	2,179.52	\$	47,080.50
100	4/30/2027	\$	2,305.03	\$	116.09	\$	2,188.94	\$	44,891.55
101	5/31/2027	\$	2,305.03	\$	114.38	\$	2,190.65	\$	42,700.90
102	6/30/2027	\$	2,305.03	\$	105.29	\$	2,199.74	\$	40,501.16
103	7/31/2027	\$	2,305.03	\$	103.19	\$	2,201.84	\$	38,299.32
104	8/31/2027	\$	2,305.03	\$	97.58	\$	2,207.45	\$	36,091.88
105	9/30/2027	\$	2,305.03	\$	88.99	\$	2,216.04	\$	33,875.84
106	10/31/2027	\$	2,305.03	\$	86.31	\$	2,218.72	\$	31,657.12
107	11/30/2027	\$	2,305.03	\$	78.06	\$	2,226.97	\$	29,430.15
108	12/31/2027	\$	2,305.03	\$	74.98	\$	2,230.05	\$	27,200.10
109	1/31/2028	\$	2,305.03	\$	69.12	\$	2,235.91	\$	24,964.19
110	2/29/2028	\$	2,305.03	\$	59.34	\$	2,245.69	\$	22,718.50
111	3/31/2028	\$	2,305.03	\$	57.73	\$	2,247.30	\$	20,471.20
112	4/30/2028	\$	2,305.03	\$	50.34	\$	2,254.69	\$	18,216.51
113	5/31/2028	\$	2,305.03	\$	46.29	\$	2,258.74	\$	15,957.77
114	6/30/2028	\$	2,305.03	\$	39.24	\$	2,265.79	\$	13,691.98
115	7/31/2028	\$	2,305.03	\$	34.79	\$	2,270.24	\$	11,421.75
116	8/31/2028	\$	2,305.03	\$	29.02	\$	2,276.01	\$	9,145.74
117	9/30/2028	\$	2,305.03	\$	22.49	\$	2,282.54	\$	6,863.20
118	10/31/2028	\$	2,305.03	\$	17.44	\$	2,287.59	\$	4,575.61
119	11/30/2028	\$	2,305.03	\$	11.25	\$	2,293.78	\$	2,281.83
120	12/31/2028	\$	2,287.63	\$	5.80	\$	2,281.83		
			\$ 276,586.20		\$ 37,873.20		\$ 238,713.00		