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**APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION**

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

Cawood Water District
(Name of Utility)

54 Plant Road
(Business Mailing Address - Number and Street, or P.O. Box)

Cawood, KY 40815
(Business Mailing Address - City, State, and Zip)

606-573-3744
(Telephone Number)

BASIC INFORMATION

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

Richard Scruggs
(Name)

307 East Central Street
(Address - Number and Street or P.O. Box)

Harlan, KY 40831
(Address - City, State, Zip)

606-573-3335
(Telephone Number)

rfscruggs@harlanonline.net
(Email Address)

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

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

YES NO N/A

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

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2019.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 262,594 and total revenues from service rates of \$ 1,057,484. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 1,670 +/- customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

YES NO N/A

- 16. a. Applicant is not required to file state and federal tax returns.
- b. Applicant is required to file state and federal tax returns.
- c. Applicant's most recent state and federal tax returns are attached to this Application.
(Attach a copy of returns.)
- 17. Approximately - 0 - (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions.
- 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form. *

* One board member has had a serious accident and is currently incapacitated. His Statement of Disclosure can be provided in a few weeks.

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

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

Signed *Howard Farmer Jr*
 Officer of the Company/Authorized Representative

Title Chairman

Date 09-23-2020

COMMONWEALTH OF KENTUCKY

COUNTY OF HARLAN

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

Donna Paul Strokers
 Notary Public
 My commission expires: 5-11-2024

ID KY NP 64521

LIST OF ATTACHMENTS
Cawood Water District

1. Customer Notice of Proposed Rate Adjustments
2. Reasons for Application
3. Current and Proposed Rates
4. Statement of Adjusted Operations and Revenue Requirements with the following attachments:
 - a. References
 - b. Table A - Depreciation Expense Adjustments
 - c. Table B - Debt Service Schedule
5. Current Billing Analysis
6. Proposed Billing Analysis
7. Depreciation Schedule
8. Outstanding Debt Instruments
 - a. USDA Series 1989A and 1989B
 - b. USDA Series 1995A and 1995B
 - c. USDA Series 2004
 - d. USDA Series 2010
 - e. Monticello Bank
9. Amortization Schedules
10. Statements of Disclosure of Related Party Transactions
11. Board Resolution

Attachment No. 1

CUSTOMER NOTICE

Notice is hereby given that the Cawood Water District expects to file an application with the Kentucky Public Service Commission on or about September 25, 2020, seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

MONTHLY WATER RATES

<u>CURRENT</u>		<u>PROPOSED PHASE 1</u>		
<u>No. of Gals. per Month:</u>	<u>Charge per 1,000 Gals.</u>	<u>Charge per 1,000 Gals.</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
<u>Cawood General Service Area</u>				
First 2,000 Gals. *	\$24.38	\$28.40	\$4.02	16.5%
Next 8,000 Gallons	8.22	9.58	1.36	16.6%
Over 10,000 Gallons	5.86	6.83	0.97	16.6%
<u>Path Fork Service Area</u>				
First 2,000 Gals. *	\$27.81	\$32.40	\$4.59	16.5%
Next 8,000 Gallons	10.77	12.55	1.78	16.5%
Over 10,000 Gallons	8.40	9.79	1.39	16.6%
<u>PROPOSED PHASE 1</u>		<u>PROPOSED PHASE 2</u>		
<u>No. of Gals. per Month:</u>	<u>Charge per 1,000 Gals.</u>	<u>Charge per 1,000 Gals.</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
<u>Cawood General Service Area</u>				
First 2,000 Gals. *	\$28.40	\$32.43	\$4.03	14.2%
Next 8,000 Gallons	9.58	10.93	1.35	14.1%
Over 10,000 Gallons	6.83	7.79	0.96	14.1%
<u>Path Fork Service Area</u>				
First 2,000 Gals. *	\$32.40	\$36.99	\$4.59	14.2%
Next 8,000 Gallons	12.55	14.32	1.77	14.1%
Over 10,000 Gallons	9.79	11.17	1.38	14.1%

* Lump sum minimum bill

If the Public Service Commission approves the proposed water rates, then the Phase 1 monthly bill for a Cawood Service Area customer using an average of 4,000 gallons per month will increase from \$40.82 to \$47.56. This is an increase of \$6.74 or 16.5%. The Phase 2 monthly bill for a Cawood Service Area customer using an average of 4,000 gallons per month will increase from \$47.56 to \$54.29. This is an increase of \$6.73 or 14.2%.

If the Public Service Commission approves the proposed water rates, then the Phase 1 monthly bill for a Path Fork Service Area customer using an average of 4,000 gallons per month will increase from \$49.35 to \$57.50. This is an increase of \$8.15 or 16.5%. The Phase 2 monthly bill for a Path Fork Service Area customer using an average of 4,000 gallons per month will increase from \$57.50 to \$65.64. This is an increase of \$8.14 or 14.1%.

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

Cawood Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the District's office located at 54 Plant Road, Cawood, KY 40815. You may contact the office at 606-573-3744.

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

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

Attachment No. 2

Reasons for Application

Cawood Water District (“the District”) is requesting an across the board 33.0% rate increase for all of its water customers. This increase is proposed to be implemented in two equal phases with Phase 2 taking effect approximately one year after the effective date of Phase 1. The two phase increase will ultimately generate total additional annual revenue of approximately \$262,594. The District needs the rate increase for the following reasons:

1. To enable the District to pay its annual principal payments on its existing long term debt from water revenues rather than from depreciation reserves;
2. To enable the District to meet the requirements set forth in its existing debt instrument;
3. To restore the District to a sound financial condition; and
4. To enable the District to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.

Attachment No. 3

**CURRENT AND PROPOSED RATES
Cawood Water District**

CURRENT RATE SCHEDULE

Cawood General Service Area

First	2,000 gallons	\$ 24.38	Minimum Bill
Next	8,000 gallons	8.22	per 1,000 gallons
Over	10,000 gallons	5.86	per 1,000 gallons

Path Fork Service Area

First	2,000 gallons	\$ 27.81	Minimum Bill
Next	8,000 gallons	10.77	per 1,000 gallons
Over	10,000 gallons	8.40	per 1,000 gallons

PROPOSED RATE SCHEDULE

Phase 1 Phase 2

Cawood General Service Area

First	2,000 gallons	\$ 28.40	\$ 32.43	Minimum Bill
Next	8,000 gallons	9.58	10.93	per 1,000 gallons
Over	10,000 gallons	6.83	7.79	per 1,000 gallons

Path Fork Service Area

First	2,000 gallons	\$ 32.40	\$ 36.99	Minimum Bill
Next	8,000 gallons	12.55	14.32	per 1,000 gallons
Over	10,000 gallons	9.79	11.17	per 1,000 gallons

Attachment No. 4

**SCHEDULE OF ADJUSTED OPERATIONS
Cawood Water District**

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Metered Sales	\$ 767,141	\$ 27,748	A	\$ 794,889
Other Water Revenues:				
Misc. Service Revenues		30,645	B	30,645
Other Water Revenues	53,490	(12,749)	C	
		(30,645)	B	
		2,419	D	12,515
Total Operating Revenues	\$ 820,631			\$ 838,050
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	222,817	(4,500)	E	
		31,304	F	249,621
Salaries and Wages - Officers	6,730			6,730
Employee Pensions and Benefits	75,426	(21,653)	G	
		(26,989)	H	26,784
Purchased Water	28,727	(4,429)	I	24,298
Purchased Power	71,818	(11,073)	I	60,745
Chemicals	41,745	(6,436)	I	35,309
Materials and Supplies	59,009	(39,530)	E	19,479
Contractual Services	91,751			91,751
Insurance - General Liability	16,393	331	J	16,724
Insurance - Workers Comp	9,476	3,102	J	12,578
Bad Debt	20,525			20,525
Miscellaneous Expenses	131,455	2,419	D	133,874
Total Operation and Mnt. Expenses	775,872			698,418
Depreciation Expense	243,528	(12,205)	K	231,323
Taxes Other Than Income	26,989	2,395	F	29,384
Total Operating Expenses	\$ 1,046,389	\$ (87,264)		\$ 959,125
Net Utility Operating Income	\$ (225,758)			\$ (121,075)

REVENUE REQUIREMENTS

Pro Forma Operating Expenses	\$ 959,125
Plus: Avg. Annual Principal and Interest Payments	L 119,191
Additional Working Capital	M 22,415
Total Revenue Requirement	1,100,730
Less: Other Operating Revenue	43,160
Interest Income	86
Nonutility Income	0
Revenue Required From Sales of Water	1,057,484
Less: Revenue from Sales at Present Rates	(794,889)
Required Revenue Increase	\$ 262,594
Percent Increase	33.0%

REFERENCES

- A. The Current Billing Analysis results in pro forma retail sales revenue of \$794,889. This indicates an addition of \$27,748 to reported Metered Sales is required.
- B. The amount reported for Other Water Revenues includes \$30,645 in Misc. Service Revenues. To provide more detailed information, this amount is reclassified to its own category.
- C. The amount reported for Other Water Revenues includes \$12,749 in tap fees. Because this is considered a capital contribution this amount is deducted from operating revenues.
- D. \$2,419 in Miscellaneous Expenses was included as a deduction from Other Water Revenues. That amount is added to result in the correct remainder for this category and reclassified to Miscellaneous Expenses.
- E. During the test year labor and materials for new meter installations were charged to operating expenses. The amount of tap fees collected for these meters can be substituted for the actual installation expenses. Thirty percent of total tap fees (\$4,500) is deducted from Salaries and Wages and 70 percent (\$10,500) is deducted from Materials and Supplies expense. Also, the expenses for replacing 486 3/4" meters and one 2" meter were charged to operations. The actual cost of those meters (\$29,030) is included in the total deducted from Materials and Supplies.
- F. A new employee was recently hired to assist with operation of the water treatment plant. It is estimated that he will be paid \$31,304 annually. This also results in additional payroll taxes of \$2,395.
- G. Because of a change in carriers, health Insurance premiums for the District's employees will decrease to an expected annual total of \$33,824. The District pays 100 percent of its employees' premiums. The PSC requires that expenses associated with this level of employer-funded premiums be adjusted to be consistent with the Bureau of Labor Statistics' national average for an employer's share of health insurance premiums. The average employer share from BLS is currently 79 percent for single coverage. Applying that percentage to the amount estimated for the current year results in a total allowable expense of \$26,721. Total premiums paid in 2019 were \$48,375. Therefore, a deduction to Pensions and Benefits expense of \$21,653 is required.
- H. The amount reported for Employee Pensions and Benefits included payroll taxes. Since that item was also reported separately in Taxes Other Than Income, it is deducted here.

- I. The District's test year water loss was 30.42 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water, Purchased Power and Chemicals related to water purchased, treated and pumped above the 15 percent limit are not allowed in the rate base and must be deducted.
- J. The premium for property and liability insurance has increased by \$331 this year. The premium for workers compensation insurance has increased by \$2,228 and the new employee adds another \$874 to that expense for a total addition of \$3,102.
- K. The PSC requires adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Utilities". Therefore, adjustments are included to bring asset lives to the midpoint of the recommended ranges. The meter replacements mentioned in Reference E above were also added to the depreciation schedule. See Table A.
- L. The annual debt service payments for the District's loans are shown in Table B. The three year average of these payments is added in the revenue requirement calculation.
- M. The amount shown in Table B for coverage on long term debt is required by the District's bond resolutions. This is included in the revenue requirement as Additional Working Capital.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS
Cawood Water District

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost</u>	<u>Life</u>	<u>Reported Depr. Exp.</u>	<u>Proforma Life</u>	<u>Proforma Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<u>Meters</u>							
3/4" Meter Replacements	2019	\$ 26,730			10.0	\$ 2,673	\$ 2,673
2" Meter Replacement	2019	2,300			40.0	58	58
Remainder of Group	various	388,276	25.0	15,231	40.0	9,707	(5,524)
<u>Office Equipment</u>							
Computers	various	3,518	5.0	410	10.0	352	(59)
<u>Operating Equipment</u>							
Generator	04/26/10	2,706	10.0	271	12.5	216	(54)
Radio Telemetry	various	167,088	10.0	16,709	10.0	16,709	-
Mapping	07/23/19	8,235	5.0	686	10.0	824	137
<u>Transmission and Distribution</u>							
Entire Group	various	9,903,200	60.0	165,658	62.5	158,451	(7,207)
<u>Vehicles</u>							
Entire Group	03/01/19	41,768	5.0	8,354	7.0	5,967	(2,387)
<u>Water Plant & Treatment</u>							
Water Plant	various	1,170,411	50.0	23,408	37.5	31,211	7,803
Water Treatment Equipment	various	135,361	varies	12,392	27.5	4,922	(7,469)
Laboratory Equipment	12/15/15	4,085	10.0	409	17.5	233	(175)
TOTALS				\$ 243,528		\$ 231,323	\$ (12,205)

Table B
DEBT SERVICE SCHEDULE
Cawood Water District
 CY 2021 - 2023

C.Y.	RD Series 1989A		RD Series 1989B		RD Series 1995A		RD Series 1995B		RD Series 2004		RD Series 2010		Monticello Bank		TOTALS
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$19,000	\$ 9,350	\$ 8,000	\$ 3,250	\$10,300	\$ 8,748	\$10,300	\$ 8,748	\$ 7,000	\$12,015	\$ 7,000	\$ 6,660	\$11,080	\$ 586	\$122,037
2022	21,000	8,400	9,000	2,850	10,700	8,285	10,700	8,285	8,000	11,700	7,500	6,503	9,519	165	122,605
2023	23,000	7,350	9,000	2,400	11,200	7,803	11,200	7,803	8,000	11,340	7,500	6,334	-	-	112,930
Totals	63,000	25,100	26,000	8,500	32,200	24,836	32,200	24,836	23,000	35,055	22,000	19,496	20,599	751	357,572
														Average Principal & Interest	\$ 119,191
														Average Coverage on Debt	22,415

Attachment No. 5

**CURRENT BILLING ANALYSIS WITH 2019 USAGE & EXISTING RATES
Cawood Water District**

SUMMARY

Customer Class	No. of Bills	Gallons Sold	Revenue
Cawood Service Area	18,134	68,323,157	\$ 734,991
Path Fork Service Area	1,885	5,456,092	78,137
Totals	20,019	73,779,249	\$ 813,127
		Less Net Billing Adjustments	<u>(18,238)</u>
		Pro Forma Metered Sales Revenue	\$ 794,889

CAWOOD GENERAL SERVICE AREA

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 8,000	ALL OVER 10,000	TOTAL
FIRST	2,000	6,665	6,671,859	6,671,859	-	-	6,671,859
NEXT	8,000	10,823	44,454,218	21,646,000	22,808,218	-	44,454,218
ALL OVER	10,000	646	17,197,080	1,292,000	5,168,000	10,737,080	17,197,080
		18,134	68,323,157	29,609,859	27,976,218	10,737,080	68,323,157

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	18,134	29,609,859	\$ 24.38	\$ 442,107
NEXT	8,000		27,976,218	8.22	229,965
ALL OVER	10,000		10,737,080	5.86	62,919
TOTAL		18,134	68,323,157		\$ 734,991

PATH FORK SERVICE AREA

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 8,000	ALL OVER 10,000	TOTAL
FIRST	2,000	784	837,938	837,938	-	-	837,938
NEXT	8,000	1,079	4,268,596	2,158,000	2,110,596	-	4,268,596
ALL OVER	10,000	22	349,558	44,000	176,000	129,558	349,558
		1,885	5,456,092	3,039,938	2,286,596	129,558	5,456,092

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	1,885	3,039,938	\$ 27.81	\$ 52,422
NEXT	8,000		2,286,596	10.77	24,627
ALL OVER	10,000		129,558	8.40	1,088
TOTAL		1,885	5,456,092		\$ 78,137

Attachment No. 6

PROPOSED BILLING ANALYSIS - 2019 USAGE & PROPOSED RATES
Cawood Water District

SUMMARY

Customer Class	No. of Bills	Gallons Sold	Revenue
Cawood Service Area	18,134	68,323,157	\$ 977,538
Path Fork Service Area	1,885	5,456,092	103,922
Totals	20,019	73,779,249	\$ 1,081,460
		Less Net Billing Adjustments	(24,257)
		Pro Forma Metered Sales Revenue	\$ 1,057,203

CAWOOD GENERAL SERVICE AREA

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 8,000	ALL OVER 10,000	TOTAL
FIRST	2,000	6,665	6,671,859	6,671,859	-	-	6,671,859
NEXT	8,000	10,823	44,454,218	21,646,000	22,808,218	-	44,454,218
ALL OVER	10,000	646	17,197,080	1,292,000	5,168,000	10,737,080	17,197,080
		18,134	68,323,157	29,609,859	27,976,218	10,737,080	68,323,157

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	18,134	29,609,859	\$ 32.43 \$ 588,002
NEXT	8,000		27,976,218	10.93 305,853
ALL OVER	10,000		10,737,080	7.79 83,683
TOTAL	18,134	68,323,157		\$ 977,538

PATH FORK SERVICE AREA

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 8,000	ALL OVER 10,000	TOTAL
FIRST	2,000	784	837,938	837,938	-	-	837,938
NEXT	8,000	1,079	4,268,596	2,158,000	2,110,596	-	4,268,596
ALL OVER	10,000	22	349,558	44,000	176,000	129,558	349,558
		1,885	5,456,092	3,039,938	2,286,596	129,558	5,456,092

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	1,885	3,039,938	\$ 36.99 \$ 69,721
NEXT	8,000		2,286,596	14.32 32,753
ALL OVER	10,000		129,558	11.17 1,447
TOTAL	1,885	5,456,092		\$ 103,922

Attachment No. 7

Tax Asset Detail 1/01/19 - 12/31/19

FYE: 12/31/2018

	Date In Service	Tax Cost	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method		
Group: Land and Land Rights									
1	Land	600.00	-	-	-	600.00			
2	Land	28,150.00	-	-	-	28,150.00			
Land and Land Rights-In Acct 1520		28,750.00	-	-	-	28,750.00			
Group: Meters & Hydrants									
31	METERS	140,229.00	140,229.00	-	140,229.00	-			
32	METERS	207,000.00	207,000.00	-	207,000.00	-	SL	25	
33	METERS	3,153.72	2,586.08	126.15	2,712.23	441.49	SL	25	
34	METERS	28,600.00	22,308.00	1,144.00	23,452.00	5,148.00	SL	25	
35	METERS	15,400.00	11,396.00	616.00	12,012.00	3,388.00	SL	25	
36	METERS	21,900.00	15,914.29	876.00	16,790.29	5,109.71	SL	25	
37	METERS	20,350.00	14,245.00	814.00	15,059.00	5,291.00	SL	25	
38	METERS	20,350.00	13,431.00	814.00	14,245.00	6,105.00	SL	25	
39	METERS	13,200.00	8,184.00	528.00	8,712.00	4,488.00	SL	25	
40	METERS	2,105.04	1,276.98	84.20	1,361.18	743.86	SL	25	
41	METERS	4,181.28	2,536.68	167.25	2,703.93	1,477.35	SL	25	
42	METERS	17,050.00	9,889.00	682.00	10,571.00	6,479.00	SL	25	
43	METERS	15,400.00	8,316.00	616.00	8,932.00	6,468.00	SL	25	
44	METERS	20,900.00	10,450.00	836.00	11,286.00	9,614.00	SL	25	
45	METERS	36,244.00	16,672.24	1,449.76	18,122.00	18,122.00	SL	25	
46	METERS	20,900.00	8,778.00	836.00	9,614.00	11,286.00	SL	25	
47	METERS	28,060.24	10,662.90	1,122.41	11,785.31	16,274.93	SL	25	
48	METERS	15,121.60	5,141.31	604.86	5,746.17	9,375.43	SL	25	
49	METERS	12,650.00	3,795.00	506.00	4,301.00	8,349.00	SL	25	
50	METERS	11,550.00	3,003.00	462.00	3,465.00	8,085.00	SL	25	
51	NEW TAPS SET (17)	5,780.00	1,271.60	231.20	1,502.80	4,277.20	SL	25	
52	METERS	3,240.00	637.20	129.60	766.80	2,473.20	SL	25	
53	NEW TAPS SET (15)	5,100.00	918.00	204.00	1,122.00	3,978.00	SL	25	
94	BRZ METERS	3,100.00	485.67	124.00	609.67	2,490.33	SL	25	
95	BRZ METERS	3,833.56	460.02	153.34	613.36	3,220.20	SL	25	
98	NEW TAPS (16)	5,440.00	761.60	217.60	979.20	4,460.80	SL	25	
	NEW TAPS (16)	6,120.00	1,162.80	244.80	1,407.60	4,712.40	SL	25	
	NEW TAPS (19)	15,425.00	1,388.25	617.00	2,005.25	13,419.75	SL	25	
	METERS	9,281.25	371.25	371.25	742.50	8,538.75	SL	25	
	NEW TAPS (20)	8,840.00	176.80	353.60	530.40	8,309.60	SL	25	
	NEW TAPS (20)	15,000.00	-	300.00	300.00	14,700.00	SL	25	
	TO BALANCE TO GL	-	-	-	-	-			
		-	-	-	#	-			
Meters & Hydrants - Acct 1540		735,504.69	523,447.67	15,231.02	#	538,678.69	196,826.00	SL	
Group: Office Equipment									
54	OFFICE EQUIPMENT	1,100.00	1,100.00	-	1,100.00	-	SL	5	
55	OFFICE EQUIP	1,899.00	1,899.00	-	1,899.00	-	SL	5	
56	OFFICE EQUIP	500.00	500.00	-	500.00	-	SL	5	
57	OFFICE EQUIPMENT	6,477.48	6,477.48	-	6,477.48	-	SL	5	
58	OFFICE EQUIP	5,281.73	5,281.73	-	5,281.73	-	SL	5	
59	OFFICE EQ	899.00	899.00	-	899.00	-	SL	5	
60	OFFICE VINYL FLOORING	3,327.61	3,327.61	-	3,327.61	-	SL	5	
61	OFFICE EQUIPMENT	1,005.99	1,005.99	-	1,005.99	-	SL	5	
62	LASER PRINTER	460.25	460.25	-	460.25	-	SL	5	
63	DELL NOTEBOOK	2,949.59	2,949.59	-	2,949.59	-	SL	5	
64	LASER PRINTER	478.00	478.00	-	478.00	-	SL	5	
65	DELL DESKTOP	2,444.54	2,444.54	-	2,444.54	-	SL	5	
66	RADIOS	2,759.75	2,759.75	-	2,759.75	-	SL	5	
67	BILLING SOFTWARE	14,995.00	14,995.00	-	14,995.00	-	SL	5	
	COMPUTER	613.18	296.38	122.64	419.02	194.16	SL	5	
	COMPUTER	1,305.93	-	261.19	261.19	1,044.74	SL	5	
	COMPUTER	1,599.33	-	26.66	26.66	1,572.67	SL	5	
		-	-	-	-	-			
Office Equipment		48,096.38	44,874.32	410.49	#	45,284.81	2,811.57		

		Date In Service	Tax Cost	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	
Group: Operating Equipment									
68	EQUIPMENT	6/30/98	64,836.32	64,836.32	-	64,836.32	-	SL	10
69	EQUIPMENT	5/30/03	7,563.35	7,563.35	-	7,563.35	-	SL	10
70	EQUIPMENT	11/03/03	2,570.00	2,570.00	-	2,570.00	-	SL	10
71	EQUIP	2/10/04	1,552.50	1,552.50	-	1,552.50	-	SL	10
72	EQUIP	4/07/04	2,775.00	2,775.00	-	2,775.00	-	SL	10
73	EQUIPMENT	7/13/04	4,632.31	4,632.31	-	4,632.31	-	SL	10
74	EQUIP	12/30/04	3,007.48	3,007.48	-	3,007.48	-	SL	10
79	LEAK DETECTOR	3/22/05	3,018.42	3,018.42	-	3,018.42	-	SL	10
80	CONTROLLERS O	N TANKS 1 &	5,135.88	5,135.88	-	5,135.88	-	SL	10
81	ALIEN-HICKS PUMP	12/30/05	3,995.00	3,995.00	-	3,995.00	-	SL	10
82	PUMP - KY MINE SUPPLY	12/30/05	1,664.70	1,664.70	-	1,664.70	-	SL	10
83	STORAGE CONTAINER	8/01/07	2,500.00	2,500.00	-	2,500.00	-	SL	10
84	TRANSIT TIME FLOW METER	8/01/07	4,395.00	4,395.00	-	4,395.00	-	SL	10
85	PEERLESS PUMP	1/04/08	2,650.00	2,650.00	-	2,650.00	-	SL	10
86	PUMP & MOTOT	6/26/08	1,600.00	1,600.00	-	1,600.00	-	SL	10
87	PUMP & MOTOR	7/03/08	1,600.00	1,600.00	-	1,600.00	-	SL	10
88	2-TURBIDMETERS	10/07/09	4,466.90	4,466.90	-	4,466.90	-	SL	10
89	MOWER	4/28/09	1,975.99	1,975.99	-	1,975.99	-	SL	10
90	GENERATOR	4/26/10	2,706.00	2,255.18	270.60	2,525.78	180.22	SL	10
91	RADIO TELEMETRY SYSTEM	9/27/12	16,671.92	10,419.94	1,667.19	12,087.13	4,584.79	SL	10
92	RADIO TELEMETRY SYSTEM	5/16/13	150,416.46	74,433.61	15,041.65	89,475.25	60,941.21	SL	10
	MAPPING & INSPECTION WOR	07/23/19	8,235.00	-	686.25	686.25	7,548.75	SL	5
	TO BALANCE TO GL		-	-	-	-	-	SL	10
Office Equipment Acct 1550 & Acct 1560			297,968.23	207,047.58	17,665.69	# 224,713.27	73,254.96	SL	
Group: Trans & Distribution Eq.									
10	DISTRIBUTION LINES	6/30/92	638,593.04	293,025.90	10,643.22	303,669.12	334,923.92	SL	60
11	DISTRIBUTION LINES	6/30/93	30,793.30	13,087.11	513.22	13,600.33	17,192.97	SL	60
12	DISTRIBUTION LINES	6/30/96	419,762.00	157,410.68	6,996.03	164,406.71	255,355.29	SL	60
13	DISTRIBUTION LINES	6/30/97	2,448,791.35	877,483.59	40,813.19	918,296.78	1,530,494.57	SL	60
14	DISTRIBUTION LINES	6/30/98	168,854.87	57,692.13	2,814.25	60,506.38	108,348.49	SL	60
15	DISTRIBUTION LINES	6/30/99	6,914.45	2,229.18	115.24	2,344.42	4,570.03	SL	60
16	DISTRIBUTION LINES	6/30/00	5,094.00	1,570.65	84.90	1,655.55	3,438.45	SL	60
17	DISTRIBUTION LINES	10/31/00	911,766.21	276,037.16	15,196.10	291,233.26	620,532.95	SL	60
18	DISTRIBUTION LINES	6/30/01	2,892.50	843.68	48.21	891.89	2,000.61	SL	60
19	LINES	12/31/01	6,930.68	1,963.67	115.51	2,079.18	4,851.50	SL	60
20	LINES	2/28/03	3,681.00	971.48	61.35	1,032.83	2,648.17	SL	60
21	PATHFORK LINES	6/10/05	1,920,482.65	433,708.94	32,008.04	465,716.98	1,454,765.67	SL	60
22	PATHFORK LINES	6/30/06	40,471.16	8,431.50	674.52	9,106.02	31,365.14	SL	60
23	LINES	2/13/07	2,630.00	517.19	43.83	561.02	2,068.98	SL	60
24	CABALL WATER LINES	6/30/08	2,104.00	368.24	35.07	403.31	1,700.69	SL	60
25	WATER LINES	2/28/11	3,750.00	490.63	62.50	553.13	3,196.87	SL	60
26	SMITH EXTENSION	12/15/11	2,340,282.92	274,593.23	39,004.72	313,597.95	2,026,684.97	SL	60
27	SMITH EXTENSION	2/27/12	152,136.10	17,330.83	2,535.60	19,866.43	132,269.67	SL	60
28	GRAYS KNOB	9/27/12	100,623.79	10,481.63	1,677.06	12,158.69	88,465.10	SL	60
29	WATER LOSS MGMT SYSTEM	9/15/13	19,500.00	10,315.50	1,950.00	12,265.50	7,234.50	SL	10
30	SMITH EXTENSION	6/30/14	403,463.63	30,259.76	6,724.39	36,984.15	366,479.48	SL	60
101	SMITH LINE	7/12/16	196,333.00	8,180.55	3,272.22	11,452.77	184,880.23	SL	
103	BRIDGE RELOCATION	12/31/16	10,591.00	353.04	176.52	529.56	10,061.44	SL	60
	WILSON ROAD LINE RELOCAT	12/01/19	40,450.55	-	56.18	56.18	40,394.37	SL	60
	ASBURY HOLLOW LINE EXTEI	12/09/19	26,308.00	-	36.54	36.54	26,271.46	SL	60
	TO BALANCE TO GL		-	-	-	-	-	SL	
Trans & Distribution Eq. - Acct 1530			9,903,200.20	2,477,346.27	165,658.41	# 2,643,004.68	7,260,195.52		

		Date In Service	Tax Cost	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value	Tax Method	
Group: Vehicles									
75	VEHICLES	6/30/98	35,033.00	35,033.00	-	35,033.00	-	SL	5
76	BACKHOE	8/09/05	6,295.00	6,295.00	-	6,295.00	-	SL	7
77	2006	11/08/05	48,551.64	48,551.64	-	48,551.64	-	SL	7
78	FORD	6/03/08	31,940.00	31,940.00	-	31,940.00	-	SL	5
19	RAM #508001	3/01/19	20,884.00	-	4,176.80	4,176.80	16,707.20	SL	5
19	RAM #508002	3/01/19	20,884.00	-	4,176.80	4,176.80	16,707.20	SL	5
Vehicles - Acct 1565			163,587.64	121,819.64	8,353.60	# 130,173.24	33,414.40		
Group: Water Plant & Treatment									
3	WATER	6/30/92	736,156.07	390,279.72	14,723.12	405,002.84	331,153.23	SL	50
4	WATER	6/30/97	5,031.16	2,163.33	100.62	2,263.95	2,767.21	SL	50
5	PLANT	6/30/98	424,089.05	173,876.49	8,481.78	182,358.27	241,730.78	SL	50
6	CONTAIN	4/07/08	5,134.80	1,104.03	102.70	1,206.73	3,928.07	SL	50
7	METER	9/02/09	1,947.16	363.31	38.94	402.25	1,544.91	SL	50
8	PUMP	11/17/09	3,900.00	709.80	78.00	787.80	3,112.20	SL	50
9	PUMPS	11/27/12	8,459.00	1,028.61	169.18	1,197.79	7,261.21	SL	50
96	AIR COMPRESSOR	11/16/15	2,269.98	699.92	227.00	926.92	1,343.06	SL	10
97	CHLORINE ANALYZER	12/15/15	4,085.00	1,259.54	408.50	1,668.04	2,416.96	SL	10
99	AIR COMPRESSOR	11/15/16	1,999.99	433.33	200.00	633.33	1,366.66	SL	10
100	FILTER & MEDIA REHAB	9/20/16	116,784.76	26,276.58	11,678.48	37,955.06	78,829.70	SL	10
Water Plant & Treatment-Acct 1520			1,309,856.97	598,194.66	36,208.32	634,402.98	675,453.99		
Work in Process									
	Three Point		-	-	-	-	-		
	Gulston		-	-	-	-	-		
Grand Total			12,486,964.11	3,972,730.14	243,527.53	# 4,216,257.67	8,270,706.44		

Attachment No. 8a

BOND RESOLUTION

CAWOOD WATER DISTRICT

AUTHORIZING

CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1989A
IN THE AMOUNT OF
\$383,000

AND

CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1989B
IN THE AMOUNT OF
\$191,000

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BOND RESOLUTION

CAWOOD WATER DISTRICT

RESOLUTION OF THE CAWOOD WATER DISTRICT OF HARLAN COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$383,000 PRINCIPAL AMOUNT OF CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1989A AND \$191,000 PRINCIPAL AMOUNT OF CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1989B FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION AND INSTALLATION OF A WATERWORKS SYSTEM; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE PAYMENT AND SECURITY OF SAME; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, pursuant to Chapter 74 of the Kentucky Revised Statutes, the Cawood Water District (the "District") has been created and organized as a public body corporate in Harlan County, Kentucky, with the power and authority to construct and install and to maintain and operate a waterworks system, and

WHEREAS, there is no central water supply whatsoever for domestic water consumption or fire protection for the citizens and residents of the District, and

WHEREAS, the Board of Commissioners of said District has determined and does hereby determine the necessity, advantage and practicability of constructing and installing a new waterworks system (the "System") for the District and to finance the costs thereof (not otherwise provided) by the issuance of \$383,000 of Cawood Water District Waterworks Revenue Bonds, Series 1989A (the "Series 1989A Bonds") and \$191,000 of Cawood Water District Waterworks Revenue Bonds, Series 1989B (the "Series 1989B Bonds") (the Series 1989A Bonds and the Series 1989B Bonds shall be collectively referred to as the "Bonds"), secured by the income and revenues to be derived from the operation of the System, in accordance with Chapters 74 and 106 of the Kentucky Revised Statutes, and

WHEREAS, the proceeds of said Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the approximate amount of \$1,012,000, and by waterworks connection charges in the amount of at least \$55,000, of which amount (a) at least \$25,000 is to be deposited initially into the Construction Account, (b) \$20,000 is to be deposited initially into the

Initial Operation Reserve Fund, and (c) at least \$10,000 from such connection charges is to be deposited initially into the Operation and Maintenance Fund, and

WHEREAS, it is anticipated that the Public Service Commission of Kentucky will grant to the District a Certificate of Public Convenience and Necessity authorizing the District to construct a new waterworks System to serve the District,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF CAWOOD WATER DISTRICT OF HARLAN COUNTY, KENTUCKY, AS FOLLOWS:

ARTICLE 1

DEFINITIONS; CONSTRUCTION AND INSTALLATION OF SYSTEM; AUTHORIZATION OF BONDS; SECURITY.

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

"ACT" refers to Chapters 74 and 106 and Sections 58.010 and 58.140, inclusive, of the Kentucky Revised Statutes.

"BEGINNING MONTH" means the month following the month in which the System is completed and becomes revenue-producing as certified by the Engineers.

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

"BONDOWNER" and "OWNER" means and contemplates the registered Owners of the Bonds at the time issued and outstanding hereunder.

"BONDS" means collectively the Series 1989A Bonds and the Series 1989B Bonds.

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

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

"COMMISSION" means the Board of Commissioners of the District, or such other body as shall be the governing body of the District under the laws of Kentucky at any given time.

"CONSTRUCTION ACCOUNT" refers to the Cawood Water District Waterworks Revenue Bonds Construction Account, created in Section 301(B) of this Resolution.

"CONTRACTORS" means the general contractors who have been employed by the District to construct the System.

"DEPOSITORY BANK" means the bank, which shall be a member of the FDIC, which shall serve as the depository of all of the Funds created in this Resolution, which bank is the Harlan National Bank, Harlan, Kentucky, or its successor.

"DEPRECIATION FUND" refers to the Cawood Water District Waterworks Revenue Bonds Depreciation Fund described in Section 401 of this Resolution.

"DISTRICT" means the Cawood Water District of Harlan County, Kentucky.

"ENGINEERS" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of said System and who will supervise the construction thereof, and shall be deemed to refer to the firm of Robert G. Campbell & Associates, Inc., or a member of said firm, or their successors.

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

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

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

"FmHA" means the Farmers Home Administration of the Department of Agriculture of the United States of America.

"FmHA GRANT" refers to the FmHA grant described in Section 806 of this Resolution.

"FUNDS" refers to the Revenue Fund, the Depreciation Fund, the Sinking Fund, the Operation and Maintenance Fund, the Initial Operation Reserve Fund and the Construction Account.

"GOVERNMENT" means the United States of America, or any agency thereof, including the FmHA.

"GRANT PROCEEDS" refers to the proceeds of the FmHA Grant.

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

"INITIAL OPERATION RESERVE FUND" refers to the Cawood Water District Waterworks Revenue Bonds Initial Operation and Maintenance Reserve Fund created in Section 401 of this Resolution.

"INTERIM LENDER" means Harlan National Bank, Harlan, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"LOCAL COUNSEL" refers to Otis Doan, Jr., Harlan, Kentucky, or any other attorney or firm of attorneys designated by the District.

"MULTIPLE ADVANCES" refers to the advance of loan funds from the FmHA as described in Section 302 of this Resolution.

"NOTE" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Section 58.150 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the construction and installation of the System as prescribed in Section 302 of this Resolution.

"OPERATION AND MAINTENANCE FUND" refers to the Cawood Water District Waterworks Revenue Bonds Operation and Maintenance Fund described in Section 401 of this Resolution.

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

"PARITY BONDS" means bonds which may be issued in the future, in addition to the Bonds, which Parity Bonds issued in

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

"PURCHASER" means the agency, person, firm or firms, or their successors, to whom the Bonds herein authorized are awarded at the public sale of the Bonds, and such definition shall refer to the FmHA if it is the Purchaser of the Bonds at said public sale.

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

"REVENUE FUND" refers to the Cawood Water District Waterworks Revenue Bonds Revenue Fund, created in Section 401 of this Resolution.

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

"SERIES 1989A BONDS" means the Cawood Water District Waterworks Revenue Bonds, Series 1989A, in the principal amount of \$383,000, authorized by this Resolution.

"SERIES 1989B BONDS" means the Cawood Water District Waterworks Revenue Bonds, Series 1989B, in the principal amount of \$191,000, authorized by this Resolution.

"SINKING FUND" refers to the Cawood Water District Waterworks Revenue Bonds Sinking Fund created in Section 401 of this Resolution.

"SYSTEM" refers to the District's new waterworks System, the construction and installation of which System is being financed by the Bonds and supplemented by Grant Proceeds and by waterworks connection charges.

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

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

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

Section 102. Construction and Installation of System.

The District shall construct and install the System, which System is described in the plans, specifications and report prepared by the Engineers, and which is on file with the Secretary. The District shall operate said System as a revenue producing public project pursuant to the Act so long as any of the Bonds remain outstanding.

Section 103. Declaration of Period of Usefulness.

The District hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion thereof.

Section 104. Authorization of Bonds.

The District has heretofore determined that the total cost of construction and installation of the System, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses will not exceed \$1,641,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost of the construction and installation of the System that the District issue a total of \$574,000 of Bonds, based on the following calculation:

Total cost of construction and installation
of the System \$1,641,000

Less:

FmHA Grant \$1,012,000
Waterworks Connection
Charges 55,000

Total Non-Bond Funds (\$1,067,000)

Balance to be financed by Bonds \$574,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the construction and installation of the System, under the provisions of the Act, there is hereby authorized to be issued and sold \$383,000 principal amount of Cawood Water District Waterworks Revenue Bonds, Series 1989A and \$191,000 principal amount of Cawood Water District Waterworks Revenue Bonds, Series 1989B.

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

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

Section 105. Bonds Payable Out Gross Revenues and Secured by Statutory Mortgage Lien. All of said Bonds, together with the interest thereon, and any Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely out of the gross revenues of the System, shall be a valid claim of the Owners thereof against the Sinking Fund created for the benefit of such Owners and shall be further secured by a statutory mortgage lien as provided in Section 106.080 of the Kentucky Revised Statutes, which statutory mortgage lien is hereby recognized to be valid and binding upon the District and upon all of the properties constituting the System. Such lien shall take effect immediately upon delivery of the Bonds.

Section 106. Lien on Contracts. In addition to the revenue pledge and statutory mortgage lien securing the Bonds, a first lien is hereby created and granted in favor of the Bonds on

all contracts, including specifically the Water Purchase Contract, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2

THE BONDS; PRINCIPAL INSTALLMENTS; BOND FORM; EXECUTION; PREPAYMENT.

Section 201. Principal Installments. Principal installments due on the Series 1989A Bonds shall be as set forth in the schedule of maturities set out in Exhibit A attached to this Resolution and incorporated herein and the principal installments due on the Series 1989B Bonds shall be as set forth in the schedule of maturities set out in Exhibit B attached to this Resolution and incorporated herein.

Section 202. Issuance of Bonds; Bond Form. The Purchaser of the Bonds at the public sale shall take delivery of the Bonds in the form of one or more fully registered bonds, as set forth in Exhibit C and Exhibit D attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Bonds authorized herein, maturing as to principal in installments as set out above. The Series 1989A Bonds shall be numbered AR-1 and consecutively upward thereafter and the Series 1989B Bonds shall be numbered BR-1 and consecutively upward thereafter. Such Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

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

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

Section 204. Provisions as to Prepayment. Except when all of the Bonds are held by the Government, installments of principal falling due prior to January 1, 2000, shall not be subject to prepayment. Installments of principal falling due on and after January 1, 2000, shall be subject to prepayment by said District on any interest payment date falling on and after January 1, 1999, at par plus accrued interest, without any prepayment penalty.

So long as all of the Bonds are owned by the Government, all or any of the Bonds, or installments in a

multiple of \$1,000, may be prepaid at any time in inverse chronological order of the installments due, at par plus accrued interest without any prepayment penalty.

ARTICLE 3

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

Section 301. The Construction Account; Fidelity Bond of Treasurer; Covenants Applicable if FmHA Purchases the Bonds; Application of Proceeds of Bonds; Other Transfers and Deposits.

The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System, and such funds shall be deposited in the Depository Bank. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U.S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of funds of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$40,000 (the "Fidelity Bond"), which Fidelity Bond shall be effective and secured by a surety company approved by the FmHA so long as it is the owner of any of the Bonds; the FmHA and the District shall be named co-obligees in such Fidelity Bond; and the amount thereof shall not be reduced without the written consent of the FmHA; provided that whenever sums in the various accounts referred to herein (other than the Construction Account) shall exceed \$40,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the FmHA.

In like manner, the officials of the District entrusted with the receipt and disbursement of moneys in the Construction Account shall be covered by a separate fidelity bond (the "Construction Account Fidelity Bond") with the FmHA and the District named as co-obligees in the maximum amount anticipated to be on deposit in the Construction Account at any one time as determined by the Chairman, with the approval of the FmHA. The District will segregate and earmark its various funds, consistent with this Resolution, in such manner as to enable the District to obtain the lowest possible surety premium rate on such Fidelity Bond and Construction Account Fidelity Bond.

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

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

(1) **Immediate Repayment of Interim Financing.** Simultaneously with the delivery of the Bonds (to the extent of part or all of the proceeds of the Bonds), there shall immediately be paid to the Interim Lender an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Bonds, there shall be paid all amounts then due and payable in connection with the costs of the construction and installation of the System and in connection with the issuance of the Bonds.

(2) **Construction Account; Grant Proceeds and District Contribution to be Deposited in Construction Account.** If and to the extent that the proceeds of the Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Cawood Water District Waterworks Revenue Bonds Construction Account", hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Bonds, there shall also be deposited in the Construction Account the proceeds of connection charges in the minimum amount of \$25,000 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Bonds and Grant Proceeds in order to assure completion of the System.

(3) **Procedure for Withdrawal of Funds from the Construction Account.** Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the FmHA as to such expenditures if the FmHA is the Owner of any Bond. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Treasurer, in payment for services and/or materials supplied in connection with the construction and installation of the System, as evidenced by (1) a Requisition Certificate and (2) invoices and/or partial payment estimates bearing the written approval of the Engineer and the Chairman (or by such other official of the District as may be authorized by the Commission), and

which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated FmHA official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items. The executed Requisition Certificates shall be retained by the Treasurer and need not be furnished to the Depository Bank, which shall be authorized to honor checks signed by the Treasurer.

During construction, the District shall disburse funds in a manner consistent with FmHA Instruction 1942.17(p)(5) of Appendix "A" to FmHA Instruction 1942-A. Form FmHA 424-18, "Partial Payment Estimate" or similar form approved by FmHA, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to FmHA for review and acceptance. Form SF-271, "Outlay Report and Request for Reimbursement for Construction Programs", shall be prepared and submitted to FmHA to account for funds expended in the last 30 day period.

After the Bonds are delivered, the District shall prepare and submit Form SF-272, "Report of Federal Cash Transactions", to report the status of federal cash received during each prior monthly period. Form FmHA 440-11, "Estimate of Funds Needed for 30 Day Period Commencing _____", will be prepared by the District and submitted to FmHA in order that a periodic Advance of Federal Cash may be requested. Form FmHA 440-11 and SF-272 will be submitted to FmHA simultaneously.

Periodic audits of the District's Construction Account records shall be made by FmHA as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Sinking Fund; Transfer to Operation and Maintenance Fund.
There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$29,200) during the construction of the System, as approved by the Engineers and by the FmHA. If and to the extent not theretofore expended in paying interest on interim financing, and if and to the extent then needed to pay interest during the remaining period of construction of the System, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

At or prior to the time the Bonds have been delivered, there shall be transferred from the proceeds of waterworks connection fees the following sums:

- (a) the sum of \$20,000 into the Initial Operation Reserve Fund hereinafter created, as an initial reserve to be utilized to meet any deficit in paying principal and/or interest on the Bonds or to meet annual operating and maintenance expenses, provided that over the initial five years of operation of the System the amount of funds available to be utilized from the Initial Operations Reserve Fund shall not exceed \$6,000 per year;
- (b) the sum of \$10,000 into the Operation and Maintenance Fund, hereinafter created, to meet the initial costs of operating and maintaining the System; plus
- (c) the aforesaid sum of \$25,000 into the Construction Account.

(5) Investment of Funds in Construction Account.

Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposits, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the System (as determined by the Engineers, the Chairman and the representative of the FmHA), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate FmHA Form 402-4 Agreement is executed, if the FmHA has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) Statements of Contractors, Engineers, and Attorneys as to Payment. Prior to the delivery of the Bonds, if the FmHA is the Purchaser of the Bonds, the District will be required to provide the FmHA with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and sub-contractors. Any exceptions must be authorized under FmHA Instructions 1942-A, Subsection 1942.17(n)(2).

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

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Sinking Fund shall be used by the District immediately to prepay principal installments due on the Bonds in the inverse order of maturity, without prepayment penalty, provided further that any balance insufficient to prepay at least \$1,000 of the principal payment falling due in any year on the Bonds may, with the consent of the FmHA, be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$574,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute in the name and on behalf of the District the Note. Each advance under the Note shall evidence a

loan by the Interim Lender to the District, for services rendered and/or materials supplied in connection with the construction and installation of the System, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

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

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

The aggregate of the principal amount of all Notes shall not exceed \$574,000. Each Note which is renewed or superseded by a new Note shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer.

The total authorized interim financing of \$574,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the Grant Proceeds, the proceeds of the sale of the Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Bonds and/or Grant Proceeds.

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

Although the proceeds of the Bonds and the Grant Proceeds are pledged and assigned to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the construction and installation of the System due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the

Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

ARTICLE 9

SALE OF BONDS

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

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

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

Section 902. Possible Adjustment in Date of Bonds, Maturities, Prepayment Provisions and Other Dates. In the event that delivery of the Bonds authorized herein is delayed for any reason until after January 1, 1990, the name of the Bonds may, pursuant to Resolution adopted by the Commission with the written consent of the Purchaser of the Bonds, be changed to reflect the year in which the Bonds will be issued, with the maturities, applicable prepayment date and all other dates being adjusted accordingly, if so desired.

ARTICLE 10

CONCLUDING PROVISIONS

Section 1001. Covenants of District to Take All Action Necessary To Assure Compliance with the Internal Revenue Code.

In order to assure the Purchaser and any subsequent Owner of the Bonds that such Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for Federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the owners of the Bonds to take the following action:

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

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

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

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Fund, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund

shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth year from the date of the Bonds, and once every five years thereafter until the final retirement of the Bonds, the last installment, to the extent required, to be made no later than sixty days following the date on which funds sufficient for the complete retirement of the Bonds are deposited with the Depository Bank. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

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

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

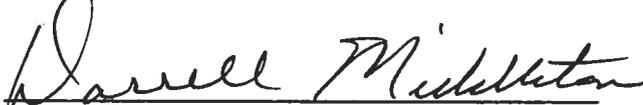
Adopted this October 26, 1989.



Chairman

(Seal of District)

Attest:



Secretary

CERTIFICATION

I, Darrell Middleton, hereby certify that I am the duly qualified and acting Secretary of the Cawood Water District, that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said Board of Commissioners and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on October 26, 1989, as shown by the official records of said Board of Commissioners in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of said District this October 26, 1989.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Maturities for Series 1989A Bonds

<u>Maturity Date</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>
1992	\$ 1,000
1993	2,000
1994	2,000
1995	2,000
1996	2,000
1997	2,000
1998	2,000
1999	3,000
2000	3,000
2001	3,000
2002	3,000
2003	4,000
2004	4,000
2005	4,000
2006	5,000 .
2007	5,000
2008	6,000
2009	6,000
2010	7,000
2011	7,000
2012	8,000
2013	9,000
2014	9,000
2015	11,000
2016	11,000
2017	13,000
2018	13,000
2019	15,000
2020	16,000
2021	18,000
2022	19,000
2023	21,000
2024	23,000
2025	25,000
2026	27,000
2027	30,000
2028	32,000
2029	10,000

EXHIBIT B

Schedule of Principal Maturities for Series 1989B Bonds

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Installments</u>
1992	\$ 2,000
1993	2,000
1994	2,000
1995	2,000
1996	2,000
1997	2,000
1998	3,000
1999	3,000
2000	3,000
2001	3,000
2002	3,000
2003	3,000
2004	3,000
2005	4,000
2006	4,000
2007	4,000
2008	4,000
2009	4,000
2010	5,000
2011	5,000
2012	5,000
2013	5,000
2014	6,000
2015	6,000
2016	6,000
2017	6,000
2018	7,000
2019	7,000
2020	7,000
2021	8,000
2022	8,000
2023	9,000
2024	9,000
2025	9,000
2026	10,000
2027	10,000
2028	10,000

EXHIBIT C

(FORM OF BOND)

BOND NO. AR-1

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF HARLAN

CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1989A

No. _____ INTEREST RATE: _____ % \$ _____

KNOW ALL MEN BY THESE PRESENTS:

That the Cawood Water District (the "District"), acting by and through its Board of Commissioners, a public body corporate, organized and existing pursuant to Chapter 74 of the Kentucky Revised Statutes, in Harlan County, Kentucky, for value received, hereby promises to pay to

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

_____ DOLLARS (\$ _____)

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

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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[Here the printer of the Bond will print the maturities of the Bonds purchased by the individual Purchaser (registered Owner)].

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

This Bond is one of a series of Cawood Water District Waterworks Revenue Bonds, Series 1989A, in the aggregate principal amount of \$383,000 (the "Series 1989A Bonds"), issued simultaneously with the Cawood Water District Waterworks Revenue Bonds, Series 1989B, in the aggregate principal amount of

\$191,000 (the "Series 1989B Bonds") [hereinafter the Series 1989A Bonds and the Series 1989B Bonds shall be collectively referred to as the "Bonds"] by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 74 and 106 and Sections 58.010 and 58.140, inclusive, of the Kentucky Revised Statutes (the "Act"), and pursuant to a duly adopted Bond Resolution of the District (the "Bond Resolution"), to which Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction and installation of the District's waterworks system (the "System").

This Bond, with the interest hereon, is payable from and secured by a first pledge of the gross revenues to be derived from the operation of the System, a sufficient portion of which gross revenues has been ordered set aside as a fund and pledged for that purpose and identified as the Cawood Water District Waterworks Revenue Bonds Sinking Fund".

A first statutory mortgage lien upon the System is created and granted by the District in the Bond Resolution pursuant to the Act, and more specifically by Section 106.080 of the Kentucky Revised Statutes, to and in favor of the registered owner of this Bond; and the System, all appurtenances thereof and all extensions, additions, and improvements thereto, shall remain subject to said statutory mortgage lien (in addition to the aforesaid revenue pledge) until payment in full of the principal of and interest on this Bond.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond, to finance future extensions, additions and/or improvements to the System, provided the necessary calculations as to the earnings coverage required by the Bond Resolution are in existence and properly certified.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky and is payable solely out of the revenues of the System. The District covenants that so long as any part of this Bond is unpaid, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of this Bond, and that the District will fix and, if necessary, adjust, from time to time, such rates and charges for the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the principal of and interest on this Bond, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 1999, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Thousand Dollars (\$1,000), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$1,000, may be prepaid at any time in inverse chronological order of the installments due.

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

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

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

CAWOOD WATER DISTRICT
Harlan County, Kentucky

By Walter J. Smith
Chairman

Attest:

Darrell Middleton
Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

Date of Registration	Name and Address of Registered Owner	Signature of Secretary of the Cawood Water District, Bond Registrar
:	:	:
:	:	:
:	:	:
:	:	:

(FORM OF ASSIGNMENT)

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

By _____

EXHIBIT D

(FORM OF BOND)

BOND NO. BR-1

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF HARLAN

CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1989B

No. _____ INTEREST RATE: _____ % \$ _____

KNOW ALL MEN BY THESE PRESENTS:

That the Cawood Water District (the "District"), acting by and through its Board of Commissioners, a public body corporate, organized and existing pursuant to Chapter 74 of the Kentucky Revised Statutes, in Harlan County, Kentucky, for value received, hereby promises to pay to

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

_____ DOLLARS (\$ _____)

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

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

[Here the printer of the Bond will print the maturities of the Bonds purchased by the individual Purchaser (registered Owner)].

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

This Bond is one of a series of Cawood Water District Waterworks Revenue Bonds, Series 1989B, in the aggregate principal amount of \$191,000 (the "Series 1989B Bonds"), issued simultaneously with the Cawood Water District Waterworks Revenue Bonds, Series 1989A, in the aggregate principal amount of

\$383,000 (the "Series 1989B Bonds") [hereinafter the Series 1989A Bonds and the Series 1989B Bonds shall be collectively referred to as the "Bonds"] by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 74 and 106 and Sections 58.010 and 58.140, inclusive, of the Kentucky Revised Statutes (the "Act"), and pursuant to a duly adopted Bond Resolution of the District (the "Bond Resolution"), to which Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction and installation of the District's waterworks system (the "System").

This Bond, with the interest hereon, is payable from and secured by a first pledge of the gross revenues to be derived from the operation of the System, a sufficient portion of which gross revenues has been ordered set aside as a fund and pledged for that purpose and identified as the Cawood Water District Waterworks Revenue Bonds Sinking Fund".

A first statutory mortgage lien upon the System is created and granted by the District in the Bond Resolution pursuant to the Act, and more specifically by Section 106.080 of the Kentucky Revised Statutes, to and in favor of the registered owner of this Bond; and the System, all appurtenances thereof and all extensions, additions, and improvements thereto, shall remain subject to said statutory mortgage lien (in addition to the aforesaid revenue pledge) until payment in full of the principal of and interest on this Bond.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond, to finance future extensions, additions and/or improvements to the System, provided the necessary calculations as to the earnings coverage required by the Bond Resolution are in existence and properly certified.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky and is payable solely out of the revenues of the System. The District covenants that so long as any part of this Bond is unpaid, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of this Bond, and that the District will fix and, if necessary, adjust, from time to time, such rates and charges for the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the principal of and interest on this Bond, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 1999, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Thousand Dollars (\$1,000), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$1,000, may be prepaid at any time in inverse chronological order of the installments due.

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

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

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

CAWOOD WATER DISTRICT
Harlan County, Kentucky

By _____
Chairman

Attest:

David M. Middleton
Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

Date of Registration	Name and Address of Registered Owner	Signature of Secretary of the Cawood Water District, Bond Registrar
:	:	:
:	:	:
:	:	:
:	:	:

(FORM OF ASSIGNMENT)

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

By _____

EXHIBIT E

REQUISITION CERTIFICATE

Re: Cawood Water District Waterworks Revenue Bonds of 1989.

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Cawood Water District (the "District") of Harlan County, Kentucky.

2. That the following named firms and/or persons are now entitled to the aggregate sum of \$_____, itemized as set forth below and as per approved invoices attached hereto:

Firm/Person

Amount

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Cawood Water District Waterworks Revenue Bonds Construction Account", at the Harlan National Bank, Harlan, Kentucky.

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 19____.

ROBERT G. CAMPBELL & ASSOCIATES, INC.

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

CAWOOD WATER DISTRICT

By Walter W. Smith
Chairman

Approved on _____

By _____
Authorized FmHA Official

Amount expended heretofore	\$ _____
Amount approved herein	_____
Total	\$ _____

Attachment No. 8b

BOND RESOLUTION

CAWOOD WATER DISTRICT

AUTHORIZING

CAWOOD WATER DISTRICT WATERWORKS

REVENUE BONDS, SERIES 1995 A

IN THE AMOUNT OF

\$343,000

AND

CAWOOD WATER DISTRICT WATERWORKS

REVENUE BONDS, SERIES 1995 B

IN THE AMOUNT OF

\$343,000

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BOND RESOLUTION

RESOLUTION OF THE CAWOOD WATER DISTRICT OF HARLAN COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$686,000 PRINCIPAL AMOUNT OF CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1995 A AND SERIES 1995 B FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

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

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the aggregate principal amount of \$686,000, consisting of (i) \$343,000 of Series 1995 A Bonds (as hereinafter defined) and (ii) \$343,000 of Series 1995 B Bonds (as hereinafter defined), (collectively the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Kenviron, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

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

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

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

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

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$2,278,800, and by connection charges in the amount of at least \$97,500, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE CAWOOD WATER DISTRICT OF HARLAN COUNTY, KENTUCKY, AS FOLLOWS:

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

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

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

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

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

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

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

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

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

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

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

"Construction Account" refers to the Cawood Water District Waterworks Revenue Bonds Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

"Current Bonds" collectively refers to the Series 1995 A Bonds and the Series 1995 B Bonds.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is The Bank of Harlan, Harlan, Kentucky, or its successor.

"Depreciation Fund" refers to the Cawood Water District Waterworks Revenue Bonds Depreciation Fund, described in Section 402 of this Resolution.

"District" refers to the Cawood Water District of Harlan County, Kentucky.

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

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

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

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

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

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

"Grant Proceeds" refers to the proceeds of the RECD Grant and the ARC Grant.

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

"Initial Operation and Maintenance Reserve Fund" refers to the Cawood Water District Waterworks Revenue Bonds Initial Operation and Maintenance Reserve Fund described in Section 401 of this Resolution.

"Interim Lender" refers to The Bank of Harlan, Harlan, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"Local Counsel" refers to Otis Doan, Jr., Esq., Harlan, Kentucky, or any other attorney or firm of attorneys designated by the District.

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

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

"Operation and Maintenance Fund" refers to the Cawood Water District Waterworks Revenue Bonds Operation and Maintenance Fund described in Section 401 of this Resolution.

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

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

"Prior Bonds" refers to the outstanding Cawood Water District Waterworks Revenue Bonds, Series 1989A and Series 1989B, dated August 30, 1990, in the original authorized principal amount of \$574,000.

"Prior Bond Resolution" refers to the Resolution authorizing the Prior Bonds, duly adopted by the Commission on October 26, 1989.

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

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

"RECD" refers to the Rural Economic and Community Development of the Department of Agriculture of the United States of America.

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

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

"*Revenue Fund*" refers to the Cawood Water District Waterworks Revenue Bonds Revenue Fund, described in Section 401 of this Resolution.

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

"*Series 1995 A Bonds*" refers to the \$343,000 of Cawood Water District Waterworks Revenue Bonds, Series 1995 A authorized by this Resolution, to be dated as of the date of issuance hereof.

"*Series 1995 B Bonds*" refers to the \$343,000 of Cawood Water District Waterworks Revenue Bonds, Series 1995 B authorized by this Resolution, to be dated as of the date of issuance hereof.

"*Sinking Fund*" refers to the Cawood Water District Waterworks Revenue Bonds Sinking Fund, described in Section 401 of this Resolution.

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$3,062,300. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$686,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$3,062,300
Less:		
RECD Grant	\$1,989,800	
ARC Grant	289,000	
Connection Charges	<u>97,500</u>	
Total Non-Bond Funds:		<u>(2,376,300)</u>
Balance to be financed by Current Bonds		\$686,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$343,000 principal amount of Cawood Water District Waterworks Revenue Bonds, Series 1995 A and \$343,000 principal amount of Cawood Water District Waterworks Revenue Bonds, Series 1995 B.

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

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

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

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely on a first lien basis out of the gross revenues of the System, on a parity with the Prior Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Series 1995 A Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A-1** attached to this Resolution and incorporated herein. Principal payments due on the Series 1995 B Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A-2** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale shall take delivery of the Series 1995 A Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B-1** attached hereto and incorporated herein and the Series 1995 B Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B-2** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Series 1995 A Bonds shall be numbered AR-1 and consecutively upward thereafter, and the Series 1995 B Bonds shall be numbered BR-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2005, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2005, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2004, at par plus accrued interest, without any prepayment penalty.

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

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$72,000 (the "Fidelity Bond"), or such larger amount as the RECD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RECD so long as it is owner of any of the Current Bonds. The RECD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RECD. Whenever sums in the Funds shall exceed \$72,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RECD.

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

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

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

(2) Construction Account. If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Cawood Water District Waterworks Revenue Bonds Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of

Grant Proceeds. Simultaneously with or prior to the delivery of the Current Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$39,600 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Current Bonds and Grant Proceeds in order to assure completion of the Project. The remaining \$57,900 will be deposited in the Operation and Maintenance Fund and the Operation and Maintenance Reserve Fund, as set forth below.

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

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

During construction, the District shall disburse Construction Account funds in a manner consistent with RECD Instruction 1942-A.

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

(4) Transfer of Capitalized Interest to Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$23,000) during the construction of the Project, as approved by the Engineers and by the RECD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for

costs of the Project (as determined by the Engineers, the Chairman and the RECD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RECD Form 402-4 Agreement is executed, if the RECD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) **Statements of Contractors, Engineers and Attorneys as to Payment.** Prior to the delivery of the Current Bonds, if the RECD is the Purchaser of the Current Bonds, the District will be required to provide the RECD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RECD Instruction 1942-A.

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

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

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$686,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

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

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

The aggregate of the principal amount of all Notes shall not exceed \$686,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RECD.

The total authorized interim financing of \$686,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

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

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

repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

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

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

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

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

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

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

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

assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

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

ARTICLE 4. FLOW OF FUNDS.

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

- (a) Cawood Water District Waterworks Revenue Bonds Revenue Fund
- (b) Cawood Water District Waterworks Revenue Bonds Sinking Fund
- (c) Cawood Water District Waterworks Revenue Bonds Depreciation Reserve Fund
- (d) Cawood Water District Waterworks Revenue Bonds Operation and Maintenance Fund
- (e) Cawood Water District Waterworks Revenue Bonds Initial Operation and Maintenance Reserve Fund.

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

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

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

B. Sinking Fund. It is hereby recognized that the District is obligated upon the issuance of the Current Bonds to provide for additional debt service requirements of the Current Bonds.

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Sinking Fund an amount sufficient to provide for capitalized interest (initially estimated at \$23,000) on the Current Bonds during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Outstanding Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Bonds maturing on the next succeeding January 1.

If the District for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Depreciation Fund. Pursuant to the provisions of the Prior Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RECD, there shall next be transferred from the Revenue Fund the sum of at least \$615 (increased from \$285) each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$73,800 (increased from \$34,200), which amount shall be maintained, and when necessary, restored to said sum of \$73,800, so long as any of the Bonds are outstanding and unpaid.

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

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

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

At or prior to the delivery of the Current Bonds there shall be deposited into the Operation and Maintenance Fund the sum of not less than \$32,900 derived from connection charges, which moneys shall be used to meet current expenses of operating and maintaining the System.

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

F. Initial Operation and Maintenance Reserve Fund. At or prior to the delivery of the Bonds there shall be deposited into the Initial Operation and Maintenance Reserve Fund the sum of not less than \$25,000 derived from the connection charges. Such Initial Operation Reserve Fund may be used by the District, proportionately over the first five years of operation of the System after completion of the Project (not to exceed \$5,000 in any year), upon appropriate certification by the Commission, when necessary, for the purpose of meeting the requirements of this Resolution for operation and maintenance of the System. However, if an emergency condition should occur during such first five years of operation of the System (after such completion) upon appropriate certification of the Commission and written consent by the Bondowners, any funds remaining in such Initial Operation Reserve Fund at that time, may be used for the purpose of alleviating the emergency. Funds in the Initial Operation Reserve Fund may also be used, when necessary, for the purpose of making payments of principal and interest on the Outstanding Bonds if moneys on deposit in the Sinking Fund are not sufficient to make such payments. At the end of such five year period, any sums remaining on deposit in such Initial Operation Reserve Fund shall be transferred into the Depreciation Fund and used for the same purposes as other sums in such Depreciation Fund.

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

H. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be con-

verted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

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

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

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

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

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

The holder of this Bond has consented to the issuance of \$686,000 of Cawood Water District Waterworks Revenue Bonds, Series 1995 A and Series 1995 B ranking on a parity as to security and source of payment with this Bond.

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

ARTICLE 5. COVENANTS OF DISTRICT

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

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

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

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

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

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

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

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

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

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

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

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;
- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions,

additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;

- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account;
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RECD Owns Any Bonds. So long as the RECD shall own any of the Bonds, the District shall comply with such RECD regulations, requirements and requests as shall be made by the RECD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RECD, the carrying of insurance of such types and in such amounts as the RECD may specify, with insurance carriers acceptable to the RECD and compliance with all of the terms and conditions of the Loan Resolution (RECD Form 1942-47) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

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

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

- (a) the consent of the RECD if the Government is as the Owner of the Prior Bonds at that time or the consent of any other Owners of the Prior Bonds, and
- (b) the consent of (1) the RECD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

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

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

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

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

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

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

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

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

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

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

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds.

The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

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

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

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

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

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;
- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and

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

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

ARTICLE 7. DEFAULT AND CONSEQUENCES

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

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RECD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

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

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

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

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

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

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

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

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

Section 804. Approval and Acceptance of RECD Grant Agreement. The RECD has agreed to make a grant to the District in the amount of \$1,532,000 (the "RECD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RECD has requested the District to approve, accept and execute RECD Form 1942-31 (the "RECD Grant Agreement"), setting out the terms and conditions upon which said RECD Grant will be made. Said RECD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RECD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RECD Grants offered to the District in connection with the Project and to execute any and all RECD Grant Agreements and any other documents as may be requested by the RECD in connection with RECD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of ARC Grant Agreement. The Appalachian Regional Commission (the "ARC") has agreed to make a grant to the District in the amount of \$228,000 (the "ARC Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the ARC has requested the District to approve, accept and execute a certain ARC Grant Agreement (the "ARC Grant Agreement"), setting out the terms and conditions upon which said ARC Grant will be made. Said ARC Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said ARC Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other ARC Grants offered to the District in connection with the Project and to execute any and all ARC Grant Agreements and any other documents as may be requested by the ARC in connection with ARC Grants which have been and/or which may hereafter be approved for such Project.

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

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RECD Letter of Conditions (RECD Form 1942-46).
- (d) Loan Resolution (RECD Form 1942-47).
- (e) Agreement for Engineering Services with the Engineers.

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

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

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

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

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

ARTICLE 10. CONCLUDING PROVISIONS

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

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

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

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

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

requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

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

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

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

Adopted this August 22, 1995.

CAWOOD WATER DISTRICT



Chairman

(Seal of District)

Attest:



Secretary

CERTIFICATION

I, Darrell Middleton, hereby certify that I am the duly qualified and acting Secretary of the Cawood Water District of Harlan County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on August 22, 1995, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this August 22, 1995.


Secretary

(Seal of District)

EXHIBIT A-1

Schedule of Principal Payments

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
1998	3,600	2017	8,200
1999	3,700	2018	8,600
2000	3,900	2019	9,000
2001	4,100	2020	9,400
2002	4,200	2021	9,800
2003	4,500	2022	10,300
2004	4,600	2023	10,700
2005	4,900	2024	11,200
2006	5,100	2025	11,700
2007	5,300	2026	12,200
2008	5,500	2027	12,800
2009	5,800	2028	13,300
2010	6,000	2029	14,000
2011	6,300	2030	14,600
2012	6,600	2031	15,200
2013	6,900	2032	15,900
2014	7,200	2033	16,700
2015	7,500	2034	17,400
2016	7,900	2035	18,400

EXHIBIT A-2

Schedule of Principal Payments

<u>Payment Due January 1,</u>	<u>Principal Payment</u>	<u>Payment Due January 1,</u>	<u>Principal Payment</u>
1998	3,600	2017	8,200
1999	3,700	2018	8,600
2000	3,900	2019	9,000
2001	4,100	2020	9,400
2002	4,200	2021	9,800
2003	4,500	2022	10,300
2004	4,600	2023	10,700
2005	4,900	2024	11,200
2006	5,100	2025	11,700
2007	5,300	2026	12,200
2008	5,500	2027	12,800
2009	5,800	2028	13,300
2010	6,000	2029	14,000
2011	6,300	2030	14,600
2012	6,600	2031	15,200
2013	6,900	2032	15,900
2014	7,200	2033	16,700
2015	7,500	2034	17,400
2016	7,900	2035	18,400

EXHIBIT B-1

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF HARLAN
CAWOOD WATER DISTRICT WATERWORKS
REVENUE BONDS, SERIES 1995 A

No. R-_____

Interest Rate: _____ %

\$ _____

KNOW ALL MEN BY THESE PRESENTS:

That the Cawood Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to

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

_____ DOLLARS (\$ _____),

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

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Series 1995 A Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series 1995 A Bond is issued by the District in conjunction with \$343,000 of the Cawood Water District Waterworks Revenue Bonds, Series 1995 B (the "Series 1995 B Bonds") under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Series 1995 A Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Series 1995 A Bond ranks on a parity as to security and source of payment with the Series 1995 B Bond and with certain outstanding Cawood Water District Waterworks Revenue Bonds, Series 1989A and Series 1989B, dated August 30, 1990 (the "Prior Bonds"), authorized by a Resolution adopted by the Commission of the District on October 26, 1989 (the "Prior Bond Resolution"). Accordingly, this Series 1995 A Bond, together with any bonds ranking on a parity herewith, is payable from and secured on a rank on a parity with lien basis by a pledge of the gross revenues to be derived from the operation of the System.

This Series 1995 A Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution; and this Series 1995 A Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Cawood Water District Waterworks Revenue Bonds Sinking Fund", created in the Prior Bond Resolution.

This Series 1995 A Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds, the Series 1995 B Bond and/or this Series 1995 A Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds, the Series 1995 B Bond and of this Series 1995 A Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, the Series 1995 B Bond, this Series 1995 A Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Series 1995 A Bond in order to complete the Project,

and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Series 1995 Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or his duly authorized attorney, which transfer shall be noted upon this Series 1995 A Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2004, in inverse chronological order of the installments due on this Series 1995 A Bond, the entire principal amount of this Series 1995 A Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Series 1995 A Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Series 1995 A Bond.

So long as the registered owner of this Series 1995 A Bond is the United States of America, or any agency thereof, the entire principal amount of this Series 1995 A Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Series 1995 A Bond, or upon failure by the District to comply with any other provision of this Series 1995 A Bond or with any provision of the Current Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 1995 A Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Series 1995 A Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Cawood Water District, by its Board of Commissioners, has caused this Series 1995 A Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Series 1995 A Bond, which is September _____, 1995.

CAWOOD WATER DISTRICT
Harlan County, Kentucky

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Series 1995 A Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Series 1995 A Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

For value received, this Series 1995 A Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

By: _____

EXHIBIT B-2

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF HARLAN
CAWOOD WATER DISTRICT WATERWORKS
REVENUE BONDS, SERIES 1995 B

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

KNOW ALL MEN BY THESE PRESENTS:

That the Cawood Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to

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

_____ DOLLARS (\$ _____),

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

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

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

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Series 1995 B Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series 1995 B Bond is issued by the District in conjunction with \$343,000 of the Cawood Water District Waterworks Revenue Bonds, Series 1995 A (the "Series 1995 A Bonds") under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Series 1995 B Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Series 1995 B Bond ranks on a parity as to security and source of payment with the Series 1995 A Bond and with certain outstanding Cawood Water District Waterworks Revenue Bonds, Series 1989A and Series 1989B, dated August 30, 1990 (the "Prior Bonds"), authorized by a Resolution adopted by the Commission of the District on October 26, 1989 (the "Prior Bond Resolution"). Accordingly, this Series 1995 B Bond, together with any bonds ranking on a parity herewith, is payable from and secured on a rank on a parity with lien basis by a pledge of the gross revenues to be derived from the operation of the System.

This Series 1995 B Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution; and this Series 1995 B Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Cawood Water District Waterworks Revenue Bonds Sinking Fund", created in the Prior Bond Resolution.

This Series 1995 B Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds, the Series 1995 A Bond and/or this Series 1995 B Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds, the Series 1995 A Bond and of this Series 1995 B Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, the Series 1995 A Bond, this Series 1995 B Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Series 1995 B Bond in order to complete the Project,

and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Series 1995 Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or his duly authorized attorney, which transfer shall be noted upon this Series 1995 B Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2004, in inverse chronological order of the installments due on this Series 1995 B Bond, the entire principal amount of this Series 1995 B Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Series 1995 B Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Series 1995 B Bond.

So long as the registered owner of this Series 1995 B Bond is the United States of America, or any agency thereof, the entire principal amount of this Series 1995 B Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Series 1995 B Bond, or upon failure by the District to comply with any other provision of this Series 1995 B Bond or with any provision of the Current Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 1995 B Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Series 1995 B Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Cawood Water District, by its Board of Commissioners, has caused this Series 1995 B Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Series 1995 B Bond, which is September _____, 1995.

CAWOOD WATER DISTRICT
Harlan County, Kentucky

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Series 1995 B Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Series 1995 B Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

For value received, this Series 1995 B Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

By: _____

Attachment No. 8c

BOND RESOLUTION

CAWOOD WATER DISTRICT

AUTHORIZING

CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2004

IN THE AMOUNT OF

\$350,000

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BOND RESOLUTION

RESOLUTION OF THE CAWOOD WATER DISTRICT OF HARLAN COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$350,000 PRINCIPAL AMOUNT OF CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2004 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

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

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$350,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Kenvirons, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

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

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

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

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

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$1,125,000, and by a contribution by the District in the amount of at least \$45,000, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE CAWOOD WATER DISTRICT OF HARLAN COUNTY, KENTUCKY, AS FOLLOWS:

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

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

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

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

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

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

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

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

"Bonds of 1989" or "Series 1989 Bonds" refer to the outstanding Cawood Water District Waterworks Revenue Bonds, Series 1989 A and B, dated August 30, 1990, in the original authorized principal amount of \$574,000.

"Bonds of 1995" or "Series 1995 Bonds" refer to the outstanding Cawood Water District Waterworks Revenue Bonds, Series 1995 A and B, dated January 10, 1996, in the original authorized principal amount of \$686,000.

"Bond Resolution of 1989" or "1989 Bond Resolution" refer to the Resolution authorizing the Bonds of 1989, duly adopted by the Board of Commissioners of the District on October 26, 1989.

"Bond Resolution of 1995" or "1995 Bond Resolution" refer to the Resolution authorizing the Bonds of 1995, duly adopted by the Board of Commissioners of the District on August 22, 1995.

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

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

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

"*Construction Account*" refers to the Cawood Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

"*Current Bonds*" refers to the \$350,000 of Cawood Water District Waterworks Revenue Bonds, Series 2004 authorized by this Resolution, to be dated as of the date of issuance thereof.

"*Depository Bank*" refers to the bank, which shall be a member of the FDIC, and which shall be designated by the City.

"*Depreciation Fund*" refers to the Cawood Water District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"*District*" refers to the Cawood Water District of Harlan County, Kentucky.

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

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

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

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

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

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

"*Grant Proceeds*" refers to the proceeds of the RD Grant, the ARC Grant, the State Surplus Grant and the Coal Severance Tax Grant.

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

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

"Local Counsel" refers to Otis Doan, Jr., P.S.C., Harlan, Kentucky, or any other attorney or firm of attorneys designated by the District.

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

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

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

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

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

"Prior Bonds" refers collectively to the Series 1989 Bonds and the Series 1995 Bonds.

"Prior Bond Resolution" refers collectively to the 1989 Bond Resolution and the 1995 Bond Resolution.

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

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

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

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

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

"*Revenue Fund*" refers to the Cawood Water District Waterworks Revenue Fund, described in Section 401 of this Resolution.

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

"*Sinking Fund*" refers to the Cawood Water District Waterworks Sinking Fund, described in Section 401 of this Resolution.

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$2,020,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$350,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$2,020,000
Less:		
RD Grant	\$350,000	
ARC Grant	225,000	
State Surplus Grant	500,000	
Coal Severance Tax Grant	50,000	
Harlan County Contribution	500,000	
District Contribution	<u>45,000</u>	
Total Non-Bond Funds:		<u>(1,670,000)</u>
Balance to be financed by Current Bonds		\$350,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$350,000 principal amount of Cawood Water District Waterworks Revenue Bonds, Series 2004.

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

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

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

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions

hereinafter set forth, shall be payable solely on a first lien basis out of the gross revenues of the System, on a parity with the Prior Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2014, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2014, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2013, at par plus accrued interest, without any prepayment penalty.

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

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$91,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$91,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

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

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

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

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

by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Current Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$45,000 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Current Bonds and Grant Proceeds in order to assure completion of the Project.

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

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

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

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

(4) Transfer of Capitalized Interest to Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$20,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District

in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

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

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

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

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$350,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to

the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

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

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

The aggregate of the principal amount of all Notes shall not exceed \$350,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$350,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

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

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

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

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

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

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

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

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

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

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

ARTICLE 4. FLOW OF FUNDS.

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

- (a) Cawood Water District Waterworks Revenue Fund
- (b) Cawood Water District Waterworks Sinking Fund
- (c) Cawood Water District Waterworks Depreciation Reserve Fund
- (d) Cawood Water District Waterworks Operation and Maintenance Fund

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

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

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

B. Sinking Fund. It is hereby recognized that the District is obligated upon the issuance of the Current Bonds to provide for additional debt service requirements of the Current Bonds.

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Sinking Fund an amount sufficient to provide for capitalized interest (initially estimated at \$20,000) on the Current Bonds during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Outstanding Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Bonds maturing on the next succeeding January 1.

If the District for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Depreciation Fund. It is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$165.00 each month until the Current Bonds are paid in full. Said monthly deposits shall be in addition to those required under the Prior Bond Resolution.

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

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

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

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

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

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

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

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

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

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

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

The holder of this Bond has consented to the issuance of \$350,000 of Cawood Water District Waterworks Revenue Bonds, Series 2004 ranking on a parity as to security and source of payment with this Bond.

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

ARTICLE 5. COVENANTS OF DISTRICT

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

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

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

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

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

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

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

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

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

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

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

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;
- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding

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

- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

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

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

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds.

The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

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

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

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

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

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

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

ARTICLE 7. DEFAULT AND CONSEQUENCES

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

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

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

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

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

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

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

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

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

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

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$350,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of ARC Grant Agreement. The Appalachian Regional Commission (the "ARC") has agreed to make a grant to the District in the amount of \$225,000 (the "ARC Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the ARC has requested the District to approve, accept and execute a certain ARC Grant Agreement (the "ARC Grant Agreement"), setting out the terms and conditions upon which said ARC Grant will be made. Said ARC Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said ARC Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other ARC Grants offered to the District in connection with the Project and to execute any and all ARC Grant Agreements and any other documents as may be requested by the ARC in connection with ARC Grants which have been and/or which may hereafter be approved for such Project.

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

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

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

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

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

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

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

ARTICLE 10. CONCLUDING PROVISIONS

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

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

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

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

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

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

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

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

Adopted this March 9, 2004.

CAWOOD WATER DISTRICT



Chairman

(Seal of District)

Attest:



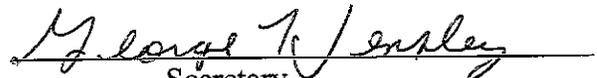
Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Cawood Water District of Harlan County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on March 9, 2004, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this March 9, 2004.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

<u>Payment Due January 1</u>	<u>Principal Payment</u>	<u>Payment Due January 1</u>	<u>Principal Payment</u>
2007	4,000	2026	8,000
2008	4,000	2027	9,000
2009	4,000	2028	9,000
2010	4,000	2029	10,000
2011	4,000	2030	10,000
2012	5,000	2031	10,000
2013	5,000	2032	11,000
2014	5,000	2033	11,000
2015	5,000	2034	12,000
2016	5,000	2035	12,000
2017	6,000	2036	13,000
2018	6,000	2037	14,000
2019	6,000	2038	14,000
2020	6,000	2039	15,000
2021	7,000	2040	16,000
2022	7,000	2041	16,000
2023	7,000	2042	17,000
2024	8,000	2043	18,000
2025	8,000	2044	19,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF HARLAN
CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2004

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

KNOW ALL PERSONS BY THESE PRESENTS:

That the Cawood Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to

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

_____ DOLLARS (\$_____),

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

Year Principal Year Principal Year Principal

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

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

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued on a parity as to security and source of payment with the outstanding: (i) Cawood Water District Waterworks Revenue Bonds, Series 1989 A and B, dated August 30, 1990 (the "1989 Bonds"), authorized by a Resolution adopted by the Commission of the District on October 26, 1989 (the "1989 Bond Resolution"); and (ii) Cawood Water District Waterworks Revenue Bonds, Series 1995 A and B, dated January 10, 1996 (the "1995 Bonds"), authorized by a Resolution adopted by the Commission of the District on August 22, 1995 (the "1995 Bond Resolution") [hereinafter the 1989 Bonds and the 1995 Bonds shall be collectively referred to as the "Prior Bonds", and the 1989 Bond Resolution and the 1995 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"]. Accordingly, this Bond, is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, on a parity with the Prior Bonds.

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

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

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2014, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

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

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

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

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

CAWOOD WATER DISTRICT
Harlan County, Kentucky

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Cawood Water District Waterworks Revenue Bonds, Series 2004, in the principal amount of \$350,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Cawood Water District (the "District") of Harlan County, Kentucky.

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

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

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 2004.

CAWOOD WATER DISTRICT

KENVIRONS, INC.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

Attachment No. 8d

BOND RESOLUTION

CAWOOD WATER DISTRICT

AUTHORIZING

CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2010

IN THE PRINCIPAL AMOUNT OF

\$357,000

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BOND RESOLUTION

RESOLUTION OF THE CAWOOD WATER DISTRICT OF HARLAN COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$357,000 PRINCIPAL AMOUNT OF CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2010 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

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

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$357,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Kenvirons, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

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

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

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

WHEREAS, the District has filed an Application with the Public Service Commission of Kentucky a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$2,901,500, and by a contribution by the District in the amount of at least \$16,500, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE CAWOOD WATER DISTRICT OF HARLAN COUNTY, KENTUCKY, AS FOLLOWS:

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

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

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

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

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

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

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

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

"Bonds of 1989" or "Series 1989 Bonds" refer to the outstanding Cawood Water District Waterworks Revenue Bonds, Series 1989 A and B, dated August 30, 1990, in the original authorized principal amount of \$574,000.

"Bonds of 1995" or "Series 1995 Bonds" refer to the outstanding Cawood Water District Waterworks Revenue Bonds, Series 1995 A and B, dated January 10, 1996, in the original authorized principal amount of \$686,000.

"Bonds of 2004" or "Series 2004 Bonds" refer to the outstanding Cawood Water District Waterworks Revenue Bonds, Series 2004, dated November 5, 2004, in the original authorized principal amount of \$350,000.

"Bond Resolution of 1989" or "1989 Bond Resolution" refer to the Resolution authorizing the Bonds of 1989, duly adopted by the Board of Commissioners of the District on October 26, 1989.

"Bond Resolution of 1995" or "1995 Bond Resolution" refer to the Resolution authorizing the Bonds of 1995, duly adopted by the Board of Commissioners of the District on August 22, 1995.

"Bond Resolution of 2004" or "2004 Bond Resolution" refer to the Resolution authorizing the Bonds of 2004, duly adopted by the Board of Commissioners of the District on March 9, 2004.

"*Coal Severance Grant*" refers to the Kentucky Coal Severance grant to the District in the amount of \$2,000,000.

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

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

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

"*Construction Account*" refers to the Cawood Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

"*Current Bonds*" refers to the \$357,000 of Cawood Water District Waterworks Revenue Bonds, Series 2010 authorized by this Resolution, to be dated as of the date of issuance thereof.

"*Depository Bank*" refers to the bank, which shall be a member of the FDIC, which bank is Bank of Harlan, Harlan, Kentucky, or its successor.

"*Depreciation Fund*" refers to the Cawood Water District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"*District*" refers to the Cawood Water District of Harlan County, Kentucky.

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

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

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

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

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

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

"Grant Proceeds" refers to the proceeds of the RD Grant, the ARC Grant and the Coal Severance Grant.

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

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

"Local Counsel" refers to Otis Doan, Jr., P.S.C., Harlan, Kentucky, or any other attorney or firm of attorneys designated by the District.

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

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

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

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

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

"Prior Bonds" refers collectively to the Series 1989 Bonds, the Series 1995 Bonds and the Series 2004 Bonds.

"Prior Bond Resolution" refers collectively to the 1989 Bond Resolution, the 1995 Bond Resolution and the 2004 Bond Resolution.

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

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

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

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

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

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

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

"Sinking Fund" refers to the Cawood Water District Waterworks Sinking Fund, described in Section 401 of this Resolution.

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$2,901,500. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$357,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$2,901,500
Less:		
RD Grant	\$ 153,000	
ARC Grant	375,000	
Coal Severance Grant	2,000,000	
Connection Charges	<u>16,500</u>	
Total Non-Bond Funds:		<u>(2,544,500)</u>
Balance to be financed by Current Bonds		\$357,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$357,000 principal amount of Cawood Water District Waterworks Revenue Bonds, Series 2010.

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

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

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

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely on a first lien basis out of the gross revenues of the System, on a parity with the Prior Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2020, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2020, shall be subject to prepayment by the District on any date falling on and after January 1, 2019, at par plus accrued interest, without any prepayment penalty.

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

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$107,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$107,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

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

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

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

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

created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Current Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$16,500 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Current Bonds and Grant Proceeds in order to assure completion of the Project.

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

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

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

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

(4) Transfer of Capitalized Interest to Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$22,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such

portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

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

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

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

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$357,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

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

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

The aggregate of the principal amount of all Notes shall not exceed \$357,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$357,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

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

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

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

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

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

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

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

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds.

The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

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

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

ARTICLE 4. FLOW OF FUNDS.

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

- (a) Cawood Water District Waterworks Revenue Fund
- (b) Cawood Water District Waterworks Sinking Fund
- (c) Cawood Water District Waterworks Depreciation Reserve Fund
- (d) Cawood Water District Waterworks Operation and Maintenance Fund

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

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

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

B. Sinking Fund. It is hereby recognized that the District is obligated upon the issuance of the Current Bonds to provide for additional debt service requirements of the Current Bonds.

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Sinking Fund an amount sufficient to provide for capitalized interest (initially estimated at \$22,000) on the Current Bonds during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Outstanding Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Bonds maturing on the next succeeding January 1.

If the District for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Outstanding Bonds, as same fall due, such excess may be used for redemption or prepayment of any Outstanding Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Depreciation Fund. Pursuant to the provisions of the Prior Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$130 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$15,600, which amount shall be maintained, and when necessary, restored to said sum of \$15,600, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

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

Moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will

provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

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

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

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

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

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

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

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

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

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

The holder of this Bond has consented to the issuance of \$357,000 of Cawood Water District Waterworks Revenue Bonds, Series 2010 ranking on a parity as to security and source of payment with this Bond.

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

ARTICLE 5. COVENANTS OF DISTRICT

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

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

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

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

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

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

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

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

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

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

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

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;
- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

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

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

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more

additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions

governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

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

ARTICLE 7. DEFAULT AND CONSEQUENCES

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

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, the Prior Bond Resolution or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

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

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

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

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

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

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

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

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating

the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$153,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of ARC Grant Agreement. The Appalachian Regional Commission (the "ARC") has agreed to make a grant to the District in the amount of \$375,000 (the "ARC Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the ARC has requested the District to approve, accept and execute a certain ARC Grant Agreement (the "ARC Grant Agreement"), setting out the terms and conditions upon which said ARC Grant will be made. Said ARC Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said ARC Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other ARC Grants offered to the District in connection with the Project and to execute any and all ARC Grant Agreements and any other documents as may be requested by the ARC in connection with ARC Grants which have been and/or which may hereafter be approved for such Project.

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

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

Section 807. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

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

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

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

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

ARTICLE 10. CONCLUDING PROVISIONS

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

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

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

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

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

to be filed with the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

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

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

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

Adopted this January 12, 2010.

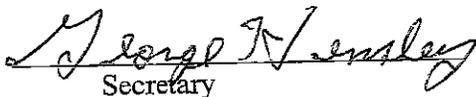
CAWOOD WATER DISTRICT



Chairman

(Seal of District)

Attest:



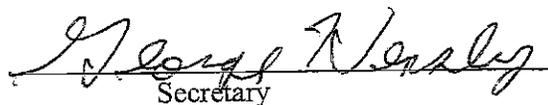
Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Cawood Water District of Harlan County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on January 12, 2010, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this January 12, 2010.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

<u>Payment Due January 1</u>	<u>Principal Payment</u>	<u>Payment Due January 1</u>	<u>Principal Payment</u>
2013	\$5,500	2032	\$9,000
2014	5,500	2033	9,500
2015	5,500	2034	9,500
2016	6,000	2035	10,000
2017	6,000	2036	10,000
2018	6,000	2037	10,500
2019	6,500	2038	10,500
2020	6,500	2039	11,000
2021	6,500	2040	11,500
2022	7,000	2041	11,500
2023	7,000	2042	12,000
2024	7,500	2043	12,000
2025	7,500	2044	12,500
2026	7,500	2045	13,000
2027	8,000	2046	13,500
2028	8,000	2047	13,500
2029	8,500	2048	14,000
2030	8,500	2049	14,500
2031	9,000	2050	16,500

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
CAWOOD WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2010

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

KNOW ALL PERSONS BY THESE PRESENTS:

That the Cawood Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to

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

_____ DOLLARS (\$ _____),

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

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

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

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

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond ranks on a parity as to security and source of payment with certain outstanding (i) Cawood Water District Waterworks Revenue Bonds, Series 1989 A and B, dated August 30, 1990 (the "1989 Bonds"), authorized by a Resolution adopted by the Commission of the District on October 26, 1989 (the "1989 Bond Resolution"); (ii) Cawood Water District Waterworks Revenue Bonds, Series 1995 A and B, dated January 10, 1996 (the "1995 Bonds"), authorized by a Resolution adopted by the Commission of the District on August 22, 1995 (the "1995 Bond Resolution"); and (iii) Cawood Water District Waterworks Revenue Bonds, Series 2004, dated November 5, 2004 (the "2004 Bonds"), authorized by a Resolution adopted by the Commission of the District on March 9, 2004 (the "2004 Bond Resolution") [hereinafter the 1989 Bonds, 1995 Bonds and 2004 Bonds shall be collectively referred to as the "Prior Bonds", and the 1989 Bond Resolution, the 1995 Bond Resolution and the 2004 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"]. Accordingly, this Bond, the Prior Bonds and any bonds ranking on a parity therewith, are payable from and secured by a pledge of the gross revenues to be derived from the operation of the System.

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

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

a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2019, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

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

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

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

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

CAWOOD WATER DISTRICT
Harlan County, Kentucky

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Cawood Water District Waterworks Revenue Bonds, Series 2010, in the principal amount of \$357,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Cawood Water District (the "District").
2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$ _____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:
3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Cawood Water District Waterworks Construction Account".
4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

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

Cawood Water District

Kenvirons, Inc.

By _____

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

SUPPLEMENTAL BOND RESOLUTION

RESOLUTION OF THE CAWOOD WATER DISTRICT SUPPLEMENTING A RESOLUTION PREVIOUSLY ADOPTED BY SAID DISTRICT ON JANUARY 12, 2010 RELATING TO THE AUTHORIZATION, ISSUANCE AND SALE OF \$357,000 PRINCIPAL AMOUNT OF CAWOOD WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2010; SETTING FORTH ADDITIONAL TERMS, CONDITIONS AND ELECTIONS IN CONNECTION WITH THE ISSUANCE OF SAID BONDS PURSUANT TO THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009.

WHEREAS, the Cawood Water District (the "District") is in the process of constructing certain extensions, additions and improvements (the "Project") to the water system of the District, said Project being financed, in part, through the issuance of \$357,000 of Cawood Water District Waterworks Revenue Bonds, Series 2010 (the "2010 Bonds"), authorized pursuant to a Resolution adopted by the Board of Commissioners of the District on January 12, 2010 (the "2010 Bond Resolution"), and

WHEREAS, the 2010 Bonds were sold by competitive sale on March 4, 2010 on a tax-exempt basis to the U.S. Department of Agriculture, acting through Rural Development ("RD"), and

WHEREAS, the American Recovery and Reinvestment Act of 2010 ("ARRA") provides for the issuance of "Build American Bonds - Direct Payment" ("BABs") to finance projects commenced on and after February 17, 2010, provided such BABs meet the requirements of ARRA and are issued on or prior to December 31, 2010, and

WHEREAS, in order to have the 2010 Bonds issued as BABs, it is necessary for the District to irrevocably elect to have the provisions of Section 54AA and subsection 54AA(g) of the Internal Revenue Code of 1986, as amended (the "Code") apply to said 2010 Bonds, and

WHEREAS, as a result of the designation of the 2010 Bonds as BABs, the District will receive payments from the U.S. Treasury Department equal to 35% of the interest payments on the 2010 Bonds, and

WHEREAS, it is necessary for the District to supplement the 2010 Bond Resolution in order to evidence the District's election to have the 2010 Bonds issued as BABs and further to provide that the District will comply with the ARRA restrictions regarding BABs.

NOW, THEREFORE, BE IT RESOLVED BY THE CAWOOD WATER DISTRICT, AS FOLLOWS:

1. Tax Covenants Relating to 2010 Bonds. The District hereby makes an irrevocable election to designate the 2010 Bonds as "Build America Bonds" under Section 54AA of the Code and also irrevocably elects to have the provisions of Section 54AA(g) of the Code apply to the 2010

Bonds so that said 2010 Bonds will be deemed "qualified bonds" and the District will receive a refundable credit under Section 6431 of the Code equal to 35% of the stated interest paid on the 2010 Bonds.

Pursuant to the provisions of ARRA, the District covenants and agrees that:

(i) All of the excess of (a) the available project proceeds (as defined in Section 54A of the Code to mean sale proceeds of the 2010 Bonds less not more than 2% of such proceeds used to pay costs of issuance plus investment proceeds thereon), over (b) any amounts in a reasonably required reserve fund (within the meaning of Section 150(a)(3) of the Code) with respect to such issue, shall be used for capital expenditures;

(ii) The District agrees to comply with the requirements of Section 54AA(g) of the Code to assure eligibility of the District for receipt of the direct pay interest credit;

(iii) The issue price (reoffering price) of the 2010 Bonds of the same maturity does not exceed the par amount by more than .25% multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date for such 2010 Bonds; and

(iv) The District will not use or permit the use of any of the funds provided by the 2010 Bonds in such a manner as to, or take or omit to take any action which would, impair the status of the 2010 Bonds as "qualified bonds" under Section 54AA of the Code.

2. 2010 Bonds to be issued as taxable bonds. The 2010 Bonds shall be issued as taxable bonds and accordingly, the interest on the 2010 Bonds shall be includable in gross income for Federal income tax purposes. The District understands that pursuant to Section 54AA of the Code, the 2010 Bonds must meet all of the provisions of the Code relating to tax-exempt bonds and the District covenants to abide by all of such provisions.

3. District agrees to file necessary forms. The District hereby agrees to file, in a timely manner, any and all necessary forms required by the Code, including, but not limited to IRS Form 8038-B, Information Return for Build America Bonds and Recovery Zone Economic Development Bonds and IRS Form 8038-CP, Return for Credit Payments for Issuers of Qualified Bonds. The District also agrees to complete and file, in a timely manner, any and all other form and questionnaires received by the District, including, but not limited to IRS Form 14127, Direct Pay Bonds Compliance Questionnaire.

4. Post compliance agreement. The District hereby agrees to enter into a post compliance agreement, if necessary in the opinion of Rubin & Hays, Bond Counsel, in order to assure the continued compliance with all present and future requirements of the Code relating to BABs.

5. Provisions in Conflict Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed.

6. Effective Date of Resolution. This Resolution shall take effect from and after its adoption and approval.

Introduced, read and adopted by the Board of Commissioners of the District on October 12, 2010.

Cawood Water District

By Watt Smith
Chairman

(Seal of District)

Attest:

George Wensley
Secretary

CERTIFICATE OF SECRETARY

I, the undersigned, the duly qualified and acting Secretary of the Cawood Water District do hereby certify that the foregoing is a true and correct copy of a Resolution which was read and adopted by the Board of Commissioners of said District on October 12, 2010, that said Resolution was then placed on file in my office for public inspection in its completed form, was executed by the Chairman and attested by the Secretary, and that said Resolution has been duly recorded in the official records of the District, as shown by the official records of said District in my custody and under my control. I further certify that said meeting was either a regular or special meeting, duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823, that a quorum was present at such meeting, that said Resolution has not been modified, amended, revoked or repealed, and that the same is now in full force and effect.

IN WITNESS WHEREOF, I have hereto set my hand as Secretary and the official seal of the District this October 12, 2010.

George Wensley
Secretary

(Seal of District)

Attachment No. 8e

WJK

LOAN NUMBER	LOAN NAME	ACCT. NUMBER	NOTE DATE	INITIALS
180000408	CAWOOD WATER DISTRICT	C0077890	01/03/19	DST
NOTE AMOUNT	INDEX (w/Margin)	RATE	MATURITY DATE	LOAN PURPOSE
\$43,256.32	Not Applicable	3.768%	01/03/21	Commercial
Creditor Use Only				

PROMISSORY NOTE
(Commercial - Single Advance)

DATE AND PARTIES. The date of this Promissory Note (Note) is January 3, 2019. The parties and their addresses are:

LENDER:
MONTICELLO BANKING CO.
50 N Main St.
PO Box 421
Monticello, KY 42633
Telephone: 606-348-8411

BORROWER:
CAWOOD WATER DISTRICT
P O BOX 429
CAWOOD, KY 40815

COPY

1. DEFINITIONS. As used in this Note, the terms have the following meanings:
 - A. Pronouns. The pronouns "I," "me," and "my" refer to each Borrower signing this Note, individually and together with their heirs, successors and assigns, and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Note. "You" and "Your" refer to the Lender, any participants or syndicators, successors and assigns, or any person or company that acquires an interest in the Loan.
 - B. Note. Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
 - C. Loan. Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
 - D. Loan Documents. Loan Documents refer to all the documents executed as a part of or in connection with the Loan.
 - E. Property. Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
 - F. Percent. Rates and rate change limitations are expressed as annualized percentages.
 - G. Dollar Amounts. All dollar amounts will be payable in lawful money of the United States of America.
2. PROMISE TO PAY. For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of \$43,256.32 (Principal) plus interest from January 3, 2019 on the unpaid Principal balance until this Note matures or this obligation is accelerated.
3. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of 3.768 percent (Interest Rate).
 - A. Post-Maturity Interest. After maturity or acceleration, interest will accrue on the unpaid Principal balance of this Note at the Interest Rate in effect from time to time, until paid in full.
 - B. Maximum Interest Amount. Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum lawful amount of interest allowed by applicable law. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.
 - C. Statutory Authority. The amount assessed or collected on this Note is authorized by the Kentucky usury laws under Ky. Rev. Stat. Ann. Ch. 286, Subtitle 6.
 - D. Accrual. Interest accrues using an Actual/365 days counting method.
4. ADDITIONAL CHARGES. As additional consideration, I agree to pay, or have paid, these additional fees and charges.
 - A. Nonrefundable Fees and Charges. The following fees are earned when collected and will not be refunded if I prepay this Note before the scheduled maturity date.
 - Title Lien. A(n) Title Lien fee of \$44.00 payable from the loan proceeds.
 - Underwriting. A(n) Underwriting fee of \$75.00 payable from the loan proceeds.
 - Processing. A(n) Processing fee of \$100.00 payable from the loan proceeds.
5. REMEDIAL CHARGES. In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.
 - A. Late Charge. If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$5.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.
6. PURCHASE MONEY LOAN. You may include the name of the seller on the check or draft for this Note.
7. PAYMENT. I agree to pay this Note in 24 payments. This Note is amortized over 48 payments. I will make 23 payments of \$972.19 beginning on February 3, 2019, and on the 3rd day of each month thereafter. A single "balloon payment" of the entire unpaid balance of Principal and interest will be due January 3, 2021.

CAWOOD WATER DISTRICT
Kentucky Promissory Note
KY/4XXXXXXXXX0000000001737040010319N

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Initials _____
Page 1

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Each payment I make on this Note will be applied first to escrow that is due, then to interest that is due, then to principal that is due, then to late charges that are due, and finally to any charges that I owe other than principal and interest. If you and I agree to a different application of payments, we will describe our agreement on this Note. You may change how payments are applied in your sole discretion without notice to me. The actual amount of my final payment will depend on my payment record.

8. PREPAYMENT. I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay in full.

9. LOAN PURPOSE. The purpose of this Loan is purchase two pickup trucks, Ram 1500 .

10. SECURITY. The Loan is secured by separate security instruments prepared together with this Note as follows.

Document Name	Parties to Document	Date of Security Document
Security Agreement - CAWOOD WATER DISTRICT	CAWOOD WATER DISTRICT	1/3/2019

11. LIMITATIONS ON CROSS-COLLATERALIZATION. The cross-collateralization clause on any existing or future loan, but not including this Loan, is void and ineffective as to this Loan, including any extension or refinancing.

The Loan is not secured by a previously executed security instrument if a non-possessory, non-purchase money security interest is created in "household goods" in connection with a "consumer loan," as those terms are defined by federal law governing unfair and deceptive credit practices. The Loan is not secured by a previously executed security instrument if you fail to fulfill any necessary requirements or fail to conform to any limitations of the Real Estate Settlement Procedures Act, (Regulation X), that are required for loans secured by the Property or if, as a result, the other debt would become subject to Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007.

The Loan is not secured by a previously executed security instrument if you fail to fulfill any necessary requirements or fail to conform to any limitations of the Truth in Lending Act, (Regulation Z), that are required for loans secured by the Property.

12. DEFAULT. I will be in default if any of the following events (known separately and collectively as an Event of Default) occur:

A. Payments. I fail to make a payment in full when due.

B. Insolvency or Bankruptcy. The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me or any co-signer, endorser, surety or guarantor of this Note or any other obligations I have with you.

C. Failure to Perform. I fail to perform any condition or to keep any promise or covenant of this Note.

D. Other Documents. A default occurs under the terms of any other Loan Document.

E. Other Agreements. I am in default on any other debt or agreement I have with you.

F. Misrepresentation. I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

G. Judgment. I fail to satisfy or appeal any judgment against me.

H. Forfeiture. The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

I. Name Change. I change my name or assume an additional name without notifying you before making such a change.

J. Property Transfer. I transfer all or a substantial part of my money or property.

K. Property Value. You determine in good faith that the value of the Property has declined or is impaired.

L. Insecurity. You determine in good faith that a material adverse change has occurred in my financial condition from the conditions set forth in my most recent financial statement before the date of this Note or that the prospect for payment or performance of the Loan is impaired for any reason.

13. DUE ON SALE OR ENCUMBRANCE. You may, at your option, declare the entire balance of this Note to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law, as applicable.

14. WAIVERS AND CONSENT. To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. Additional Waivers By Borrower. In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

(1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.

(2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.

(3) You may release, substitute or impair any Property securing this Note.

(4) You, or any institution participating in this Note, may invoke your right of set-off.

(5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.

(6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any instrument securing, guarantying or relating to this Note.

B. No Waiver By Lender. Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or any other Loan Document, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

15. REMEDIES. After I default, you may at your option do any one or more of the following.

A. Acceleration. You may make all or any part of the amount owing by the terms of this Note immediately due.

B. Sources. You may use any and all remedies you have under state or federal law or in any Loan Document.

C. Insurance Benefits. You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. Payments Made On My Behalf. Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of this Note, and accrue interest at the highest post-maturity interest rate.

E. Set-Off. You may use the right of set-off. This means you may set-off any amount due and payable under the terms of this Note against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange, and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of this Note" means the total amount to which you are entitled to demand payment under the terms of this Note at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay this Note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

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

F. Waiver. Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

16. COLLECTION EXPENSES AND ATTORNEYS' FEES. On or after the occurrence of an Event of Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Note or any other Loan Document. Expenses include, but are not limited to, reasonable attorneys' fees as provided by law, and court costs. This amount does not include attorneys' fees for your salaried employee. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of this Note. All fees and expenses will be secured by the Property I have granted to you, if any. In addition, to the extent permitted by the United States Bankruptcy Code, I agree to pay the reasonable attorneys' fees incurred by you to protect your rights and interests in connection with any bankruptcy proceedings initiated by or against me.

17. COMMISSIONS. I understand and agree that you (or your affiliate) will earn commissions or fees on any insurance products, and may earn such fees on other services that I buy through you or your affiliate.

18. WARRANTIES AND REPRESENTATIONS. I have the right and authority to enter into this Note. The execution and delivery of this Note will not violate any agreement governing me or to which I am a party.

19. INSURANCE. I agree to obtain the insurance described in this Loan Agreement.

A. Single Interest Insurance. I will purchase Single Interest insurance for the amounts you require as described in one of the other documents I sign for the Loan. I have free choice in the selection of the agent and insurer through or by which insurance is to be placed.

B. Property Insurance. I will insure or retain insurance coverage on any tangible property that secures the Loan and abide by the insurance requirements of any security instrument securing the Loan.

C. Insurance Warranties. I agree to purchase any insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the property is located. If I buy or provide the insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any insurance policy. You will apply the insurance proceeds toward what I owe you on the outstanding balance. I agree that if the insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts under this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

D. Prepayment. If I prepay in full or if I default and you demand payment of the unpaid balance, I may be entitled to a partial refund credit of any prepaid, unearned insurance premiums. This refund may be obtained from you or from the insurance company named in my policy or certificate of insurance.

20. CREDITOR-PLACED INSURANCE NOTICE. I am giving you a security interest in the Property described in the security instrument(s) securing the Loan. I am required to maintain insurance on the tangible property described in the security instrument(s) to protect your interest until all debts under this agreement are paid. If I fail to provide evidence of insurance on the tangible property to you, you may place insurance on the tangible property and I will be responsible to pay for the costs of that creditor-placed insurance.

21. APPLICABLE LAW. This Note is governed by the laws of Kentucky, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in Kentucky, unless otherwise required by law.

22. JOINT AND INDIVIDUAL LIABILITY AND SUCCESSORS. My obligation to pay the Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on the Loan, or any number of us together, to collect the Loan. Extending the Loan or new obligations under the Loan, will not affect my duty under the Loan and I will still be obligated to pay the Loan. This Note shall inure to the benefit of and be enforceable by you and your successors and assigns and shall be binding upon and enforceable against me and my personal representatives, successors, heirs and assigns.

23. AMENDMENT, INTEGRATION AND SEVERABILITY. This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing. This Note and the other Loan Documents are the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable. No present or future agreement securing any other debt I owe you will secure the payment of this Loan if, with respect to this loan, you fail to fulfill any necessary requirements or fail to conform to any limitations of the Truth in Lending Act (Regulation Z) or the Real Estate Settlement Procedures Act (Regulation X) that are required for loans secured by the Property or if, as a result, this Loan would become subject to Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007.

24. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

25. NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail or via a nationally recognized overnight courier to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Borrower will be deemed to be notice to all Borrowers. I will inform you in writing of any change in my name, address or other application information. I will provide you any correct and complete financial statements or other information you request. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

26. CREDIT INFORMATION. I agree to supply you with whatever information you reasonably request. You will make requests for this information without undue frequency, and will give me reasonable time in which to supply the information.

27. ERRORS AND OMISSIONS. I agree, if requested by you, to fully cooperate in the correction, if necessary, in the reasonable discretion of you of any and all loan closing documents so that all documents accurately describe the loan between you and me. I agree to assume all costs including by way of illustration and not limitation, actual expenses, legal fees and marketing losses for failing to reasonably comply with your requests within thirty (30) days.

28. AGREEMENT TO ARBITRATE. You or I may submit to binding arbitration any dispute, claim or other matter in question between or among you and me that arises out of or relates to this Transaction (Dispute), except as otherwise indicated in this section or as you and I agree to in writing. For purposes of this section, this Transaction includes this Note and the other Loan Documents, and proposed loans or extensions of credit that relate to this Note. You or I will not arbitrate any Dispute within any "core proceedings" under the United States bankruptcy laws.

You and I must consent to arbitrate any Dispute concerning a debt secured by real estate at the time of the proposed arbitration. You may foreclose or exercise any powers of sale against real property securing a debt underlying any Dispute before, during or after any arbitration. You may also enforce a debt secured by this real property and underlying the Dispute before, during or after any arbitration.

You or I may, whether or not any arbitration has begun, pursue any self-help or similar remedies, including taking property or exercising other rights under the law; seek attachment, garnishment, receivership or other provisional remedies from a court having jurisdiction to preserve the rights of or to prevent irreparable injury to you or me; or foreclose against any property by any method or take legal action to recover any property. Foreclosing or exercising a power of sale, beginning and continuing a judicial action or pursuing self-help remedies will not constitute a waiver of the right to compel arbitration.

The arbitrator will determine whether a Dispute is arbitrable. A single arbitrator will resolve any Dispute, whether individual or joint in nature, or whether based on contract, tort, or any other matter at law or in equity. The arbitrator may consolidate any Dispute with any related disputes, claims or other matters in question not arising out of this Transaction. Any court having jurisdiction may enter a judgment or decree on the arbitrator's award. The judgment or decree will be enforced as any other judgment or decree.

You and I acknowledge that the agreements, transactions or the relationships which result from the agreements or transactions between and among you and me involve interstate commerce. The United States Arbitration Act will govern the interpretation and enforcement of this section.

The American Arbitration Association's Commercial Arbitration Rules, in effect on the date of this Note, will govern the selection of the arbitrator and the arbitration process, unless otherwise agreed to in this Note or another writing.

29. WAIVER OF TRIAL FOR ARBITRATION. You and I understand that the parties have the right or opportunity to litigate any Dispute through a trial by judge or jury, but that the parties prefer to resolve Disputes through arbitration instead of litigation. If any Dispute is arbitrated, you and I voluntarily and knowingly waive the right to have a trial by jury or judge during the arbitration.

30. SIGNATURES. By signing, I agree to the terms contained in this Note. I also acknowledge receipt of a copy of this Note.

BORROWER:

CAWOOD WATER DISTRICT

By  Date 01-03-2019
Howard Farmer, Chairman

LENDER:

Monticello Banking Co.

By  Date 1-3-19
DELMAR STEVE TOLLIVER, SEO

Attachment No. 9

CAWOOD WATER DISTRICT
BOND PAYMENT SCHEDULE -- #91-01 -- 1989A
 Through the Year Ended December 31, 2018

Loan #:	91-01	Original Amount:	\$ 383,000.00
Date of Note:	8/30/1990	Interest Rate:	5.00%
Maturity:	2029		

<u>Year</u>	<u>Interest</u>		<u>Principal</u>		<u>Bonds</u>
	<u>Due</u>	<u>Expense</u>	<u>Due</u>	<u>Paid</u>	<u>Outstanding</u>
1991	19,150.00	19,150.00	1,000.00	1,000.00	382,000.00
1992	19,100.00	19,100.00	2,000.00	2,000.00	380,000.00
1993	19,000.00	19,000.00	2,000.00	2,000.00	378,000.00
1994	18,900.00	18,900.00	2,000.00	2,000.00	376,000.00
1995	18,800.00	18,800.00	2,000.00	2,000.00	374,000.00
1996	18,700.00	18,700.00	2,000.00	2,000.00	372,000.00
1997	18,600.00	18,600.00	2,000.00	2,000.00	370,000.00
1998	18,500.00	18,500.00	3,000.00	3,000.00	367,000.00
1999	18,350.00	18,350.00	3,000.00	3,000.00	364,000.00
2000	18,200.00	18,200.00	3,000.00	3,000.00	361,000.00
2001	18,050.00	18,050.00	3,000.00	3,000.00	358,000.00
2002	17,900.00	17,900.00	4,000.00	4,000.00	354,000.00
2003	17,700.00	17,700.00	4,000.00	4,000.00	350,000.00
2004	17,500.00	17,500.00	4,000.00	4,000.00	346,000.00
2005	17,300.00	17,300.00	5,000.00	5,000.00	341,000.00
2006	17,050.00	17,050.00	5,000.00	5,000.00	336,000.00
2007	16,800.00	16,800.00	6,000.00	6,000.00	330,000.00
2008	16,500.00	16,500.00	6,000.00	6,000.00	324,000.00
2009	16,200.00	16,200.00	7,000.00	7,000.00	317,000.00
2010	15,850.00	15,850.00	7,000.00	7,000.00	310,000.00
2011	15,500.00	15,500.00	8,000.00	8,000.00	302,000.00
2012	15,100.00	15,100.00	9,000.00	9,000.00	293,000.00
2013	14,650.00	14,650.00	9,000.00	9,000.00	284,000.00
2014	14,200.00	14,200.00	11,000.00	11,000.00	273,000.00
2015	13,650.00	13,650.00	11,000.00	11,000.00	262,000.00
2016	13,100.00	13,100.00	13,000.00	13,000.00	249,000.00
2017	12,450.00	12,450.00	13,000.00	13,000.00	236,000.00
2018	11,800.00		15,000.00		221,000.00
2019	11,050.00		16,000.00		205,000.00
2020	10,250.00		18,000.00		187,000.00
2021	9,350.00		19,000.00		168,000.00
2022	8,400.00		21,000.00		147,000.00
2023	7,350.00		23,000.00		124,000.00
2024	6,200.00		25,000.00		99,000.00
2025	4,950.00		27,000.00		72,000.00
2026	3,600.00		30,000.00		42,000.00
2027	2,100.00		32,000.00		10,000.00
2028	500.00		10,000.00		-
TOTALS	<u>532,350.00</u>		<u>383,000.00</u>		

CAWOOD WATER DISTRICT
BOND PAYMENT SCHEDULE -- #91-03 -- 1989B
Through the Year Ended December 31, 2018

Loan #:	91-03	Original Amount:	\$ 191,000.00
Date of Note:	8/30/1990		
Maturity:	2028	Interest Rate:	5.00%

<u>Year</u>	<u>Interest</u>		<u>Principal</u>		<u>Bonds</u>
	<u>Due</u>	<u>Expense</u>	<u>Due</u>	<u>Paid</u>	<u>Outstanding</u>
1991	9,550.00	9,550.00	2,000.00	2,000.00	189,000.00
1992	9,450.00	9,450.00	2,000.00	2,000.00	187,000.00
1993	9,350.00	9,350.00	2,000.00	2,000.00	185,000.00
1994	9,250.00	9,250.00	2,000.00	2,000.00	183,000.00
1995	9,150.00	9,150.00	2,000.00	2,000.00	181,000.00
1996	9,050.00	9,050.00	2,000.00	2,000.00	179,000.00
1997	8,950.00	8,950.00	3,000.00	3,000.00	176,000.00
1998	8,800.00	8,800.00	3,000.00	3,000.00	173,000.00
1999	8,650.00	8,650.00	3,000.00	3,000.00	170,000.00
2000	8,500.00	8,500.00	3,000.00	3,000.00	167,000.00
2001	8,350.00	8,350.00	3,000.00	3,000.00	164,000.00
2002	8,200.00	8,200.00	3,000.00	3,000.00	161,000.00
2003	8,050.00	8,050.00	3,000.00	3,000.00	158,000.00
2004	7,900.00	7,900.00	4,000.00	4,000.00	154,000.00
2005	7,700.00	7,700.00	4,000.00	4,000.00	150,000.00
2006	7,500.00	7,500.00	4,000.00	4,000.00	146,000.00
2007	7,300.00	7,300.00	4,000.00	4,000.00	142,000.00
2008	7,100.00	7,100.00	4,000.00	4,000.00	138,000.00
2009	6,900.00	6,900.00	5,000.00	5,000.00	133,000.00
2010	6,650.00	6,650.00	5,000.00	5,000.00	128,000.00
2011	6,400.00	6,400.00	5,000.00	5,000.00	123,000.00
2012	6,150.00	6,150.00	5,000.00	5,000.00	118,000.00
2013	5,900.00	5,900.00	6,000.00	6,000.00	112,000.00
2014	5,600.00	5,600.00	6,000.00	6,000.00	106,000.00
2015	5,300.00	5,300.00	6,000.00	6,000.00	100,000.00
2016	5,000.00	5,000.00	6,000.00	6,000.00	94,000.00
2017	4,700.00	4,700.00	7,000.00	7,000.00	87,000.00
2018	4,350.00		7,000.00		80,000.00
2019	4,000.00		7,000.00		73,000.00
2020	3,650.00		8,000.00		65,000.00
2021	3,250.00		8,000.00		57,000.00
2022	2,850.00		9,000.00		48,000.00
2023	2,400.00		9,000.00		39,000.00
2024	1,950.00		9,000.00		30,000.00
2025	1,500.00		10,000.00		20,000.00
2026	1,000.00		10,000.00		10,000.00
2027	500.00		10,000.00		-
TOTALS	<u>230,850.00</u>	<u> </u>	<u>191,000.00</u>	<u> </u>	<u> </u>

CAWOOD WATER DISTRICT
BOND PAYMENT SCHEDULE -- #91-04 -- 1995A
 Through the Year Ended December 31, 2018

Loan #:	91-04	Original Amount:	\$ 343,000.00
Date of Note:	1/10/1996		
Maturity:	2035	Interest Rate:	4.50%

<u>Year</u>	<u>Interest Due</u>	<u>Expense</u>	<u>Principal Due</u>	<u>Paid</u>	<u>Bonds Outstanding</u>
1997	15,435.00	15,435.00	3,600.00	3,600.00	339,400.00
1998	15,273.00	15,273.00	3,700.00	3,700.00	335,700.00
1999	15,106.50	15,106.50	3,900.00	3,900.00	331,800.00
2000	14,931.00	14,931.00	4,100.00	4,100.00	327,700.00
2001	14,746.50	14,746.50	4,200.00	4,200.00	323,500.00
2002	14,557.50	14,557.50	4,500.00	4,500.00	319,000.00
2003	14,355.00	14,355.00	4,600.00	4,600.00	314,400.00
2004	14,148.00	14,148.00	4,900.00	4,900.00	309,500.00
2005	13,927.50	13,927.50	5,100.00	5,100.00	304,400.00
2006	13,698.00	13,698.00	5,300.00	5,300.00	299,100.00
2007	13,459.50	13,459.50	5,500.00	5,500.00	293,600.00
2008	13,212.00	13,212.00	5,800.00	5,800.00	287,800.00
2009	12,951.00	12,951.00	6,000.00	6,000.00	281,800.00
2010	12,681.00	12,681.00	6,300.00	6,300.00	275,500.00
2011	12,397.50	12,397.50	6,600.00	6,600.00	268,900.00
2012	12,100.50	12,100.50	6,900.00	6,900.00	262,000.00
2013	11,790.00	11,790.00	7,200.00	7,200.00	254,800.00
2014	11,466.00	11,466.00	7,500.00	7,500.00	247,300.00
2015	11,128.50	11,128.50	7,900.00	7,900.00	239,400.00
2016	10,773.00	10,773.00	8,200.00	8,200.00	231,200.00
2017	10,404.00	10,404.00	8,600.00	8,600.00	222,600.00
2018	10,017.00		9,000.00		213,600.00
2019	9,612.00		9,400.00		204,200.00
2020	9,189.00		9,800.00		194,400.00
2021	8,748.00		10,300.00		184,100.00
2022	8,284.50		10,700.00		173,400.00
2023	7,803.00		11,200.00		162,200.00
2024	7,299.00		11,700.00		150,500.00
2025	6,772.50		12,200.00		138,300.00
2026	6,223.50		12,800.00		125,500.00
2027	5,647.50		13,300.00		112,200.00
2028	5,049.00		14,000.00		98,200.00
2029	4,419.00		14,600.00		83,600.00
2030	3,762.00		15,200.00		68,400.00
2031	3,078.00		15,900.00		52,500.00
2032	2,362.50		16,700.00		35,800.00
2033	1,611.00		17,400.00		18,400.00
2034	828.00		18,400.00		-
TOTALS	379,246.50		343,000.00		

CAWOOD WATER DISTRICT
BOND PAYMENT SCHEDULE -- #91-07 -- 1995B
 Through the Year Ended December 31, 2018

Loan #:	91-07	Original Amount:	\$ 343,000.00
Date of Note:	1/10/1996	Interest Rate:	4.50%
Maturity:	2035		

<u>Year</u>	<u>Interest</u>		<u>Principal</u>		<u>Bonds</u>
	<u>Due</u>	<u>Expense</u>	<u>Due</u>	<u>Paid</u>	<u>Outstanding</u>
1997	15,435.00	15,435.00	3,600.00	3,600.00	339,400.00
1998	15,273.00	15,273.00	3,700.00	3,700.00	335,700.00
1999	15,106.50	15,106.50	3,900.00	3,900.00	331,800.00
2000	14,931.00	14,931.00	4,100.00	4,100.00	327,700.00
2001	14,746.50	14,746.50	4,200.00	4,200.00	323,500.00
2002	14,557.50	14,557.50	4,500.00	4,500.00	319,000.00
2003	14,355.00	14,355.00	4,600.00	4,600.00	314,400.00
2004	14,148.00	14,148.00	4,900.00	4,900.00	309,500.00
2005	13,927.50	13,927.50	5,100.00	5,100.00	304,400.00
2006	13,698.00	13,698.00	5,300.00	5,300.00	299,100.00
2007	13,459.50	13,459.50	5,500.00	5,500.00	293,600.00
2008	13,212.00	13,212.00	5,800.00	5,800.00	287,800.00
2009	12,951.00	12,951.00	6,000.00	6,000.00	281,800.00
2010	12,681.00	12,681.00	6,300.00	6,300.00	275,500.00
2011	12,397.50	12,397.50	6,600.00	6,600.00	268,900.00
2012	12,100.50	12,100.50	6,900.00	6,900.00	262,000.00
2013	11,790.00	11,790.00	7,200.00	7,200.00	254,800.00
2014	11,466.00	11,466.00	7,500.00	7,500.00	247,300.00
2015	11,128.50	11,128.50	7,900.00	7,900.00	239,400.00
2016	10,773.00	10,773.00	8,200.00	8,200.00	231,200.00
2017	10,404.00	10,404.00	8,600.00	8,600.00	222,600.00
2018	10,017.00		9,000.00		213,600.00
2019	9,612.00		9,400.00		204,200.00
2020	9,189.00		9,800.00		194,400.00
2021	8,748.00		10,300.00		184,100.00
2022	8,284.50		10,700.00		173,400.00
2023	7,803.00		11,200.00		162,200.00
2024	7,299.00		11,700.00		150,500.00
2025	6,772.50		12,200.00		138,300.00
2026	6,223.50		12,800.00		125,500.00
2027	5,647.50		13,300.00		112,200.00
2028	5,049.00		14,000.00		98,200.00
2029	4,419.00		14,600.00		83,600.00
2030	3,762.00		15,200.00		68,400.00
2031	3,078.00		15,900.00		52,500.00
2032	2,362.50		16,700.00		35,800.00
2033	1,611.00		17,400.00		18,400.00
2034	828.00		18,400.00		-
TOTALS	379,246.50		343,000.00		-

CAWOOD WATER DISTRICT
BOND PAYMENT SCHEDULE -- #91-10 -- 2004
 Through the Year Ended December 31, 2018

Loan #: 91-10 **Original Amount:** \$ 350,000.00
Date of Note: 11/5/2004
Maturity: 2044 **Interest Rate:** 4.50%

<u>Year</u>	<u>Interest</u>		<u>Principal</u>		<u>Bonds</u>
	<u>Due</u>	<u>Expense</u>	<u>Due</u>	<u>Paid</u>	<u>Outstanding</u>
2004	2,459.59	2,459.59	-	-	350,000.00
2005	15,750.00	15,750.00	4,000.00	4,000.00	346,000.00
2006	15,570.00	15,570.00	4,000.00	4,000.00	342,000.00
2007	15,390.00	15,390.00	4,000.00	4,000.00	338,000.00
2008	15,210.00	15,210.00	4,000.00	4,000.00	334,000.00
2009	15,030.00	15,030.00	4,000.00	4,000.00	330,000.00
2010	14,850.00	14,850.00	5,000.00	5,000.00	325,000.00
2011	14,625.00	14,625.00	5,000.00	5,000.00	320,000.00
2012	14,400.00	14,400.00	5,000.00	5,000.00	315,000.00
2013	14,175.00	14,175.00	5,000.00	5,000.00	310,000.00
2014	13,950.00	13,950.00	5,000.00	5,000.00	305,000.00
2015	13,725.00	13,725.00	6,000.00	6,000.00	299,000.00
2016	13,455.00	13,455.00	6,000.00	6,000.00	293,000.00
2017	13,185.00	13,185.00	6,000.00	6,000.00	287,000.00
2018	12,915.00		6,000.00		281,000.00
2019	12,645.00		7,000.00		274,000.00
2020	12,330.00		7,000.00		267,000.00
2021	12,015.00		7,000.00		260,000.00
2022	11,700.00		8,000.00		252,000.00
2023	11,340.00		8,000.00		244,000.00
2024	10,980.00		8,000.00		236,000.00
2025	10,620.00		9,000.00		227,000.00
2026	10,215.00		9,000.00		218,000.00
2027	9,810.00		10,000.00		208,000.00
2028	9,360.00		10,000.00		198,000.00
2029	8,910.00		10,000.00		188,000.00
2030	8,460.00		11,000.00		177,000.00
2031	7,965.00		11,000.00		166,000.00
2032	7,470.00		12,000.00		154,000.00
2033	6,930.00		12,000.00		142,000.00
2034	6,390.00		13,000.00		129,000.00
2035	5,805.00		14,000.00		115,000.00
2036	5,175.00		14,000.00		101,000.00
2037	4,545.00		15,000.00		86,000.00
2038	3,870.00		16,000.00		70,000.00
2039	3,150.00		16,000.00		54,000.00
2040	2,430.00		17,000.00		37,000.00
2041	1,665.00		18,000.00		19,000.00
2042	855.00		15,000.00		4,000.00
2043	180.00		4,000.00		-
2044	-		-		-
TOTALS	<u>389,504.59</u>		<u>350,000.00</u>		

CAWOOD WATER DISTRICT
BOND PAYMENT SCHEDULE -- #91-13 -- 2010
Through the Year Ended December 31, 2018

Loan #: 91-13 **Original Amount:** \$ 357,000.00
Date of Note: 10/14/2010
Maturity: 2050 **Interest Rate:** 2.25%

<u>Year</u>	<u>Interest</u>		<u>Principal</u>		<u>Bonds</u>
	<u>Due</u>	<u>Expense</u>	<u>Due</u>	<u>Paid</u>	<u>Outstanding</u>
2010	1,716.53	1,716.53	-	-	357,000.00
2011	8,032.50	8,032.50	5,500.00	5,500.00	351,500.00
2012	7,908.75	7,908.75	5,500.00	5,500.00	346,000.00
2013	7,785.00	7,785.00	5,500.00	5,500.00	340,500.00
2014	7,661.25	7,661.25	6,000.00	6,000.00	334,500.00
2015	7,526.25	7,526.25	6,000.00	6,000.00	328,500.00
2016	7,391.25	7,391.25	6,000.00	6,000.00	322,500.00
2017	7,256.25	7,256.25	6,500.00	6,500.00	316,000.00
2018	7,110.00		6,500.00		309,500.00
2019	6,963.75		6,500.00		303,000.00
2020	6,817.50		7,000.00		296,000.00
2021	6,660.00		7,000.00		289,000.00
2022	6,502.50		7,500.00		281,500.00
2023	6,333.75		7,500.00		274,000.00
2024	6,165.00		7,500.00		266,500.00
2025	5,996.25		8,000.00		258,500.00
2026	5,816.25		8,000.00		250,500.00
2027	5,636.25		8,500.00		242,000.00
2028	5,445.00		8,500.00		233,500.00
2029	5,253.75		9,000.00		224,500.00
2030	5,051.25		9,000.00		215,500.00
2031	4,848.75		9,500.00		206,000.00
2032	4,635.00		9,500.00		196,500.00
2033	4,421.25		10,000.00		186,500.00
2034	4,196.25		10,000.00		176,500.00
2035	3,971.25		10,500.00		166,000.00
2036	3,735.00		10,500.00		155,500.00
2037	3,498.75		11,000.00		144,500.00
2038	3,251.25		11,500.00		133,000.00
2039	2,992.50		11,500.00		121,500.00
2040	2,733.75		12,000.00		109,500.00
2041	2,463.75		12,000.00		97,500.00
2042	2,193.75		12,500.00		85,000.00
2043	1,912.50		13,000.00		72,000.00
2044	1,620.00		13,500.00		58,500.00
2045	1,316.25		13,500.00		45,000.00
2046	1,012.50		14,000.00		31,000.00
2047	697.50		14,500.00		16,500.00
2048	371.25		16,500.00		-
2049	-		-		-
TOTALS	<u>184,900.28</u>		<u>357,000.00</u>		

Attachment No. 10

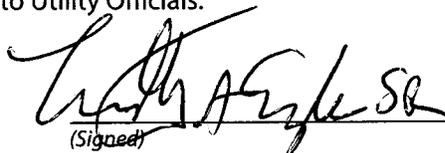
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Cawood Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Timothy A Engle SR
(Print Name)

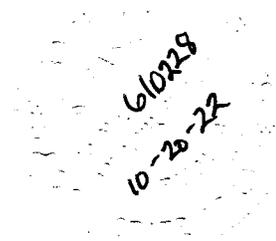

(Signed)

BOARD MEMBER
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF HARLAN



Subscribed and sworn to before me by [Signature] (Name)

this 9 day of September, 2020.

[Signature: Joyce Ann Cowan]
NOTARY PUBLIC
State-at-Large

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Cawood Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Howard Farmer, Jr
(Print Name)

Howard Farmer, Jr
(Signed)

Board Chairman
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF HARLAN

Subscribed and sworn to before me by Howard Farmer Jr.
(Name)

this 23rd day of September, 2020.

Donna Gail Stoker

NOTARY PUBLIC

State-at-Large

5-11-2024

ID KY# 6652

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Cawood Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Grant Cooper
(Print Name)


(Signed)

General Manager
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF HARLAN

Subscribed and sworn to before me by Grant Cooper
(Name)

this 18th day of Sept, 2020.

Lewis R. Abbott
NOTARY PUBLIC
State-at-Large



**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between _____ Cawood Water District _____ ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
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6 Michael Jones
(Print Name)


(Signed)

BOARD MEMBER
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

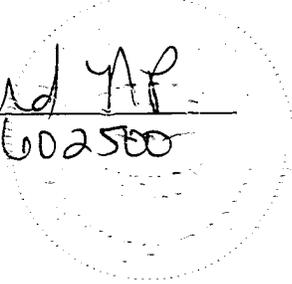
COUNTY OF Harlan

Subscribed and sworn to before me by G. Michael Thomas
(Name)

this 23 day of September, 2020.

Angel Howard AF
NOTARY PUBLIC
State-at-Large

602500



**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Cawood Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Harold K Sellers
(Print Name)

Harold K Sellers
(Signed)

BOARD MEMBER
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Hartan

Subscribed and sworn to before me by Harold K. Sellers
(Name)

this 25 day of September, 2020.

Linda Wilson
NOTARY PUBLIC
State-at-Large #600076

Expires 4-27-2022

Attachment No. 11

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE CAWOOD WATER DISTRICT PROPOSING ADJUSTMENTS TO ITS WATER RATES AND CHARGES AND AUTHORIZING ITS CHAIRMAN TO FILE AN APPLICATION WITH THE PSC SEEKING APPROVAL OF THE PROPOSED RATE ADJUSTMENT

WHEREAS, the Cawood Water District (“District”) is a water district created and organized under the provisions of KRS Chapter 74. The District is subject to the jurisdiction of the Kentucky Public Service Commission (“PSC”);

WHEREAS, prudent financial management dictates that the District take appropriate action to adjust its water rates and charges; and

WHEREAS, KRS 278.180 and 807 KAR 5:076 provide the legal mechanism for the District to propose adjustments to its water rates and charges;

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

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

Section 2. The District proposes to adjust its monthly water rates and charges as set forth in **Appendix A**, which is attached hereto and is incorporated herein by reference as a part of this Resolution. The proposed rates and charges set forth in **Appendix A** are subject to any minor adjustments that may be made by the PSC. The proposed rate adjustment shall not become effective until PSC approval has been obtained.

Section 3. The Chairman is hereby authorized and directed to prepare, execute, and file

with the PSC, by utilizing the Alternative Rate Adjustment Procedure for Small Utilities set forth in 807 KAR 5:076, an Alternative Rate Filing (“ARF”) Application, Tariff Sheets, and all other documents that may be required by the PSC.

Section 4. The Chairman, General Manger and all others to whom the Chairman may delegate certain responsibilities are hereby further authorized and directed to take any and all other actions and to execute and deliver any and all other documents as may be reasonably necessary to implement this Resolution.

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

ADOPTED BY THE COMMISSION OF CAWOOD WATER DISTRICT at a meeting held on September 8, 2020, signed by the Chairman, and attested by the Secretary.



CHAIRMAN

ATTEST:


SECRETARY

CERTIFICATION

I, Secretary of the Cawood Water District (the “District”), do hereby certify that the foregoing is a true copy of a Resolution duly adopted by the District at a meeting properly held on September 8, 2020, signed by the Chairman of the District, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 8th day of September, 2020.



SECRETARY

**APPENDIX A
CURRENT AND PROPOSED RATES
Cawood Water District**

CURRENT RATE SCHEDULE

Cawood General Service Area

First	2,000 gallons	\$ 24.38	Minimum Bill
Next	8,000 gallons	8.22	per 1,000 gallons
Over	10,000 gallons	5.86	per 1,000 gallons

Path Fork Service Area

First	2,000 gallons	\$ 27.81	Minimum Bill
Next	8,000 gallons	10.77	per 1,000 gallons
Over	10,000 gallons	8.40	per 1,000 gallons

PROPOSED RATE SCHEDULE

Phase 1 Phase 2

Cawood General Service Area

First	2,000 gallons	\$ 28.40	\$ 32.43	Minimum Bill
Next	8,000 gallons	9.58	10.93	per 1,000 gallons
Over	10,000 gallons	6.83	7.79	per 1,000 gallons

Path Fork Service Area

First	2,000 gallons	\$ 32.40	\$ 36.99	Minimum Bill
Next	8,000 gallons	12.55	14.32	per 1,000 gallons
Over	10,000 gallons	9.79	11.17	per 1,000 gallons