

## GOVERNMENTAL CERTIFICATE

App. Date	Application No.	Loan Amount	Dept.	Collateral	Officer	Init.
02-14-2003		1,000,000.00			DDR	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

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

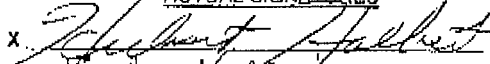

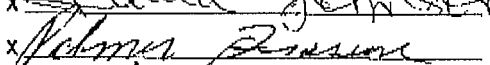
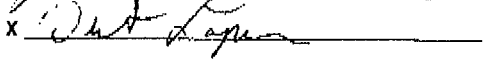
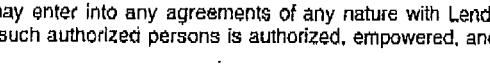
**Lender:** FIRST GUARANTY BANK  
36 Main Street  
P.O. Box 888  
Martins, KY 41649

## WE, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

**THE ENTITY'S EXISTENCE.** The complete and correct name of the governmental entity is Southern Water & Sewer District ("Entity"). The Entity is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws and regulations of the Commonwealth of Kentucky. The Entity has the full power and authority to own its properties and to transact the business and activities in which it is presently engaged or presently proposes to engage. The Entity maintains an office at 245, Ky Rt 680, McDowell, KY 41647. The Entity shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of the Entity and any other governmental or quasi-governmental authority or court applicable to the Entity and the Entity's business activities.

**CERTIFICATES ADOPTED.** At a meeting of the appropriate governing body of the Entity, duly called and held on February 14, 2003, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Certificate were adopted.

**OFFICIALS.** The following named persons is an Officials of Southern Water & Sewer District:

NAMES	TITLES	AUTHORIZED	ACTUAL SIGNATURES
Hubert Halbert	Chairman/Commissioner	Y	X 
Eula Hall	Commissioner	Y	X 
Paula Johnson	Secretary/Commissioner	Y	X 
Palmer Frasure	Commissioner	Y	X 
Bert Layne	Treasurer/Commissioner	Y	X 

**ACTIONS AUTHORIZED.** Any one (1) of the authorized persons listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Entity. Specifically, but without limitation, any one (1) of such authorized persons is authorized, empowered, and directed to do the following for and on behalf of the Entity:

**Borrow Money.** To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Entity and Lender, such sum or sums of money as in their judgment should be borrowed, without limitation.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Entity's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Entity's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Entity or in which the Entity now or hereafter may have an interest, including without limitation all real property and all personal property (tangible or intangible) of the Entity, as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Entity to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances. Notwithstanding the foregoing, any one of the above authorized persons may execute, deliver, or record financing statements.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Entity or in which the Entity may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Entity's account with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as the Officials may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Certificate.

**ASSUMED BUSINESS NAMES.** The Entity has filed or recorded all documents or filings required by law relating to all assumed business names used by the Entity. Excluding the name of the Entity, the following is a complete list of all assumed business names under which the Entity does business: None.

**NOTICES TO LENDER.** The Entity will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Entity's name; (B) change in the Entity's assumed business name(s); (C) change in the structure of the Entity; (D) change in the authorized signer(s); (E) change in the Entity's principal office address; (F) change in the Entity's principal residence; or (G) change in any other aspect of the Entity that directly or indirectly relates to any agreements between the Entity and Lender.

**CERTIFICATION CONCERNING OFFICIALS AND CERTIFICATES.** The Officials named above is duly elected, appointed, or employed by or for the Entity, as the case may be, and occupy the positions set opposite their respective names. This Certificate now stands of record on the books of the

**GOVERNMENTAL CERTIFICATE  
(Continued)**

Loan No: 10000926

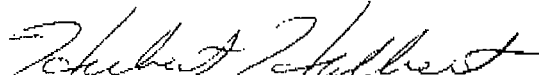
Entity, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

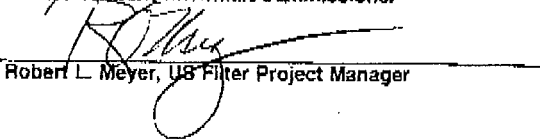
**CONTINUING VALIDITY.** Any and all acts authorized pursuant to this Certificate and performed prior to the passage of this Certificate are hereby ratified and approved. This Certificate shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Entity's agreements or commitments in effect at the time notice is given.

**IN TESTIMONY WHEREOF,** We have hereunto set our hand and attest that the signatures set opposite the names listed above is their genuine signatures.

We each have read all the provisions of this Certificate, and we each personally and on behalf of the Entity certify that all statements and representations made in this Certificate are true and correct. This Governmental Certificate is dated February 14, 2003.

**CERTIFIED TO AND ATTESTED BY:**

X   
Hubert Halbert, Chairman/Commissioner

X   
Robert L. Meyer, US Filter Project Manager

NOTE: If the Officials signing this Certificate is designated by the foregoing document as one of the officials authorized to act on the Entity's behalf, it is advisable to have this Certificate signed by at least one non-authorized official of the Entity.

**RESOLUTION**

Of

**SOUTHERN WATER & SEWER DISTRICT**

WHEREAS Southern Water & Sewer District (the District) is currently in the process of constructing expansions and improvements to its distribution system in multiple locations throughout southern Floyd County (the RD Project); and

WHEREAS the RD Project is being funded through a combination of local, state, and federal funding, part of which includes Floyd County Coal Severance Funds; and

WHEREAS, given time constraints that the District has encountered with state agencies in obtaining the Floyd County Coal Severance Funds, the District has determined that it needs to secure interim financing in order to make timely payments to various contractors and complete the RD Project, in an amount not to exceed \$1,000,000.00 (one million dollars); and

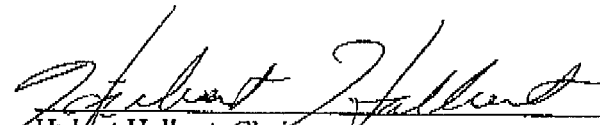
WHEREAS, the Commissioners of Southern Water & Sewer District have determined that it is in the best interest of the District and its customers to borrow such funds:


NOW, THEREFORE, the District, by vote of its commissioners at a duly called meeting held on February 14, 2003, hereby resolves as follows:

1. That the District shall borrow an amount not to exceed \$1,000,000.00 from First Guaranty Bank of Martin, Kentucky for a term not to exceed one year (see attached "Governmental Certificate"). Further, such loan(s) shall be structured as follows:
  - a. An initial loan in the amount of \$472,000.00 shall be executed by the District immediately upon review and approval by First Guaranty Bank of the District's loan application and supporting documentation, with loan proceeds utilized to pay those contractors identified on the attached memorandum.
  - b. A supplemental loan in an amount not to exceed \$528,000.00 (or an aggregate loan amount of \$1,000,000.00) shall be executed by the District upon review and approval of First Guaranty Bank of documentation supporting the commitment of \$1,000,000.00 in Floyd County Coal Severance Funds during the fiscal year 2003-2004.
2. That the District shall pledge as collateral to First Guaranty Bank for said loan(s) such existing infrastructure owned by the District as may be required by First Guaranty Bank to secure such loan(s).
3. That the District pledges and assigns to First Guaranty Bank the following grant funds for the purpose of repaying loan funds provided to the District by First Guaranty Bank, pursuant to this resolution:
  - a. Floyd County Coal Severance Funds allocated to Southern Water & Sewer District for the RD Project during fiscal year 2002-2003 (KIA Project Number WX21071702) in the amount of \$441,419.00, less the amount of such grant proceeds to be paid to the Floyd County Fiscal Court in the amount of \$296,615.73.
  - b. Floyd County Coal Severance Funds allocated to Southern Water & Sewer District for the RD Project during the fiscal year 2003-2004 in the amount of \$1,000,000.00.

- c. Knott County Coal Severance Funds allocated to Southern Water & Sewer District for the Right Beaver Expansion Project during fiscal year 2002-2003 (KIA Project Number WX21071709) in the amount of \$113,330.37.
4. That the District's resolution to borrow these funds is contingent upon formal approval by the board of directors of First Guaranty Bank of an interest rate on such loan(s) less than 7%.
5. That the District hereby authorizes Hubert Halbert, Chairman or, in his absence, Bert Layne, Treasurer to execute any and all documents required for the loan(s) referenced in this resolution.

This resolution was authorized and approved by the Commissioners of Southern Water & Sewer District at a special called meeting duly held on this 14<sup>th</sup> day February, 2003, as attested below:

  
Hubert Halbert, Chairman

  
Paula Johnson, Secretary

**RESOLUTION**

Of

**SOUTHERN WATER & SEWER DISTRICT**

WHEREAS Southern Water & Sewer District passed a resolution on February 17<sup>th</sup>, 2003 related to securing a loan from the First Guaranty Bank of Martin (the Bank); and

WHEREAS the Bank has requested that Section 3(a) of the original resolution be amended to reflect an assignment to First Guaranty Bank of the entire proceeds from Floyd County Coal Severance Funds for Fiscal Year 2002-2003; and

WHEREAS, Floyd County Judge Executive Paul Hunt Thompson has agreed to the assignment of those funds (including the amount of \$296,615.73 due to the Floyd County Fiscal Court out of the 2002-2003 Floyd County Coal Severance Funds);

NOW, THEREFORE, the District, by vote of its commissioners at a duly called meeting held on February 19, 2003, hereby resolves as follows:


That Section 3(a) of the February 17, 2003 resolution passed by the District (copy attached) shall be amended to read as follows:

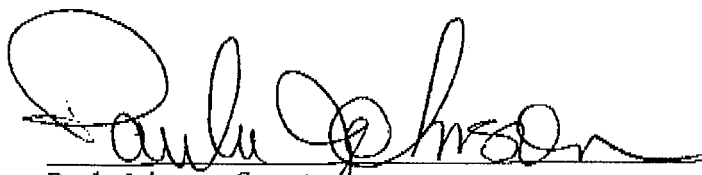
3. That the District pledges and assigns to First Guaranty Bank the following grant funds for the purpose of repaying loan funds provided to the District by First Guaranty Bank, pursuant to this resolution:

a. Floyd County Coal Severance Funds allocated to Southern Water & Sewer District for the RD Project during fiscal year 2003-2003 (KIA Project Number WX21071702) in the amount of \$441,419.00.

All other sections of the original resolution dated February 17, 2003 shall remain intact, with the exception of the above referenced amendment.

This resolution was authorized and approved by the Commissioners of Southern Water & Sewer District at a special called meeting duly held on this 19<sup>th</sup> day February, 2003, as attested below:

  
Hubert Halbert, Chairman

  
Paula Johnson, Secretary