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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)

Garrison-Quincy-Ky-O-Heights Water District

(Name of Utility)

P.O. Box 279

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

Garrison, KY 41141

(Business Mailing Address - City, State, and Zip)

606-757-4898

(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:

Trent Underwood, Manager

(Name)

P.O. Box 279

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

Garrison, KY 41141

(Address - City, State, Zip)

606-757-4898

(Telephone Number)

teunderwood@windstream.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"/> | |
| 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 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"/> | |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" 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 \$ see attachments and total revenues from service rates of \$ see attachments. 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 1056+/- water customers.
308+/- sewer
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. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant is required to file state and federal tax returns. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| c. Applicant's most recent state and federal tax returns are attached to this Application. (Attach a copy of returns.) | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 17. Approximately <u>- 0 -</u> (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. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| 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. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

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

Trent Underwood
Officer of the Company/Authorized Representative

Title

Manager

Date

3-1-21

COMMONWEALTH OF KENTUCKY

COUNTY OF LEWIS

Before me appeared Trent Underwood, 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.

Andrea Johnson #585519

Notary Public

My commission expires:

9/2/21

LIST OF ATTACHMENTS
Garrison-Quincy Water District

1. Customer Notice of Proposed Rate Adjustments
2. Reasons for Application
3. Current and Proposed Rates
4. Statements 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 Analyses
6. Proposed Billing Analyses
7. Depreciation Schedule
8. Outstanding Debt Instruments
 - a. RD Series 1987A and 1987B
 - b. RD Series 1996
 - c. RD Series 2002
 - d. KIA Loan 2015
 - e. RD Series 2010 (Sewer)
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 Garrison-Quincy Water District expects to file an application on or about March 2, 2021 with the Kentucky Public Service Commission seeking approval of a proposed adjustment to its water and sewer rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

MONTHLY WATER RATES

Minimum Bills Based on Meter Size

<u>Meter Size</u>	<u>Gals. Incl'd. in Minimum</u>	<u>Minimum Bills</u>		<u>Dollar</u>	<u>Percent</u>
		<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>Increase</u>
5/8 x 3/4 inch	2,000	\$20.50	\$24.29	\$3.79	18.5%
1 inch	10,000	78.30	92.81	14.51	18.5%
2 inch	50,000	291.10	344.81	53.71	18.5%

Rates for Water Usage in Addition to Minimum

<u>No. of Gallons per Month:</u>	<u>Charge per 1,000 Gals.</u>		<u>Dollar</u>	<u>Percent</u>
	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>Increase</u>
First 2,000 Gallons	\$20.50	\$24.29	\$3.79	18.5%
Next 3,000 Gallons	\$8.05	\$9.54	1.49	18.5%
Next 5,000 Gallons	\$6.73	\$7.98	1.25	18.6%
Over 10,000 Gallons	\$5.32	\$6.30	0.98	18.4%

Bulk Water

All Purchases	\$8.68	\$10.29	\$1.61	18.5%
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Water Loss Reduction Surcharge

All Customers	\$1.73 per Customer per Month
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MONTHLY SEWER RATES

Rates for All Customers

<u>No. of Gallons per Month:</u>	<u>Charge per 1,000 Gals.</u>		<u>Dollar</u>	<u>Percent</u>
	<u>Current</u>	<u>Proposed</u>	<u>Increase</u>	<u>Increase</u>
First 2,000 Gallons	\$22.00	\$29.70	\$7.70	35.0%
Over 2,000 Gallons	\$11.00	\$14.85	3.85	35.0%

If the Public Service Commission approves the proposed water rates, then the monthly water bill for a customer using an average of 3,000 gallons per month will increase from \$28.55 to \$33.83. This is an increase of \$5.28 or 18.5%. The District is also applying for a Water Loss Reduction Surcharge of \$1.73 per customer per month for 48 months.

If the Public Service Commission approves the proposed sewer rates, then the monthly sewer bill for a customer using an average of 3,000 gallons per month will increase from \$33.00 to \$44.55. This is an increase of \$11.55 or 35.0%.

The rates contained in this notice are the rates proposed by Garrison-Quincy 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.

Garrison-Quincy 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 Garrison-Quincy Water District's office located at 284 Murphys Lane, Garrison, KY 41141. You may contact the office at 606-757-4898.

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

Garrison-Quincy Water District (the “District”) is requesting an 18.5 percent rate increase for its retail water customers. This water rate increase will generate an approximate total of \$91,200 in additional annual revenue. A Water Loss Reduction Surcharge of \$1.73 per customer per month is included in the application to help lower system losses to more acceptable levels.

The District is also requesting a 35.0 percent rate increase for its sewer customers. The sewer rate increase will generate an approximate total of \$51,600 in additional annual revenue.

The District needs these rate increases for the following reasons:

1. To enable the District to pay its annual principal payments on its existing long term debt from water & sewer revenues rather than from depreciation reserves;
2. To enable the District to meet the requirements set forth in its existing debt instruments;
3. To restore the District to a sound financial condition by charging rates that recover its cost of providing service; 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 MONTHLY RATES
Garrison-Quincy Water District**

WATER DIVISION	
<p align="center"><u>CURRENT RATE SCHEDULE</u></p> <p><u>5/8" x 3/4" Meters</u></p> <p>First 2,000 gallons \$ 20.50 Minimum Bill Next 3,000 gallons 8.05 per 1,000 gallons Next 5,000 gallons 6.73 per 1,000 gallons Over 10,000 gallons 5.32 per 1,000 gallons</p> <p><u>1" Meters</u></p> <p>First 10,000 gallons \$ 78.30 Minimum Bill Over 10,000 gallons 5.32 per 1,000 gallons</p> <p><u>2" Meters</u></p> <p>First 50,000 gallons \$291.10 Minimum Bill Over 50,000 gallons 5.32 per 1,000 gallons</p> <p><u>Bulk Water</u></p> <p>All purchases \$ 8.68 per 1,000 gallons</p> <p><u>Wholesale Customers</u></p> <p>First 1.0 mil gallons \$ 2,000 Minimum Bill Over 1.0 mil gallons 2.00 per 1,000 gallons</p>	<p align="center"><u>PROPOSED RATE SCHEDULE</u></p> <p><u>5/8" x 3/4" Meters</u></p> <p>First 2,000 gallons \$ 24.29 Minimum Bill Next 3,000 gallons 9.54 per 1,000 gallons Next 5,000 gallons 7.98 per 1,000 gallons Over 10,000 gallons 6.30 per 1,000 gallons</p> <p><u>1" Meters</u></p> <p>First 10,000 gallons \$ 92.81 Minimum Bill Over 10,000 gallons 6.30 per 1,000 gallons</p> <p><u>2" Meters</u></p> <p>First 50,000 gallons \$344.81 Minimum Bill Over 50,000 gallons 6.30 per 1,000 gallons</p> <p><u>Bulk Water</u></p> <p>All purchases \$ 10.29 per 1,000 gallons</p> <p><u>Wholesale Customers</u></p> <p>First 1.0 mil gallons \$ 2,000 Minimum Bill Over 1.0 mil gallons 2.00 per 1,000 gallons</p> <p><u>Water Loss Reduction Surcharge</u></p> <p align="right">\$ 1.73 per Customer</p>
SEWER DIVISION	
<p align="center"><u>CURRENT RATE SCHEDULE</u></p> <p><u>All Customers</u></p> <p>First 2,000 gallons \$ 22.00 Minimum Bill Over 2,000 gallons 11.00 per 1,000 gallons</p>	<p align="center"><u>PROPOSED RATE SCHEDULE</u></p> <p><u>All Customers</u></p> <p>First 2,000 gallons \$ 29.70 Minimum Bill Over 2,000 gallons 14.85 per 1,000 gallons</p>

Attachment No. 4

SCHEDULE OF ADJUSTED OPERATIONS
Garrison-Quincy Water District
Water Division

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Metered Sales to Retail Customers	\$ 543,541	(54,403)	A	
		(11,000)	B	
		12,807	C	
		(660)	D	\$ 490,285
Bulk Sales	2,999			2,999
Sales for Resale	-	26,251	A	26,251
Other Water Revenues:				
Forfeited Discounts	-	14,707	A	14,707
Misc. Service Revenue	-	5,242	A	5,242
Other Water Revenue	-	8,203	A	8,203
Total Operating Revenues	\$ 546,540			\$ 547,687
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	191,934	(1,440)	E	
		695	F	191,189
Salaries and Wages - Officers	8,100			8,100
Employee Pensions and Benefits	77,825	(16,763)	G	
		3,174	H	64,236
Purchased Water	42,506	(10,111)	I	32,395
Purchased Power	36,766	(8,745)	I	28,021
Chemicals	13,705	(3,260)	I	10,445
Materials and Supplies	23,603	(3,360)	E	20,243
Contractual Services	27,845			27,845
Transportation Expenses	4,494			4,494
Insurance - General Liability & Other	10,216			10,216
Insurance - Workers Comp	4,028			4,028
Miscellaneous Expenses	129,858	(81,060)	J	
		(2,491)	K	46,307
Total Operation and Mnt. Expenses	570,880			447,518
Depreciation Expense	101,505	12,913	L	114,418
Taxes Other Than Income	20,083	(4,326)	G	
	-	53	F	15,810
Total Operating Expenses	\$ 692,468			\$ 561,936
Net Utility Operating Income	\$ (145,928)			\$ (14,249)

REVENUE REQUIREMENTS

Pro Forma Operating Expenses		\$ 561,936
Plus: Avg. Annual Principal and Interest Payments		M 91,852
Additional Working Capital		N 18,370
Total Revenue Requirement		\$ 672,158
Less: Other Operating Revenue		(28,152)
Other Income - Phase II & III Surcharges	22,944	(22,944)
Interest Income	5,260	(5,260)
Revenue Required From Water Sales		\$ 615,802
Less: Revenue from Sales at Present Rates		(519,535)
Required Revenue Increase		\$ 96,267
Percent Increase		18.5%

SCHEDULE OF ADJUSTED OPERATIONS
Garrison-Quincy Water District
Sewer Division

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro Forma</u>
<u>Operating Revenues</u>				
Total Sewer Sales	141,531	7,715	C	149,246
Other Sewer Revenues	-	660	D	660
Total Operating Revenues	141,531			149,906
<u>Operating Expenses</u>				
Operation Expenses				
Collection - Labor, Materials and Expenses	52,692	(1,860)	E	
		191	F	51,023
Pumping - Labor, Materials and Expenses	-			-
Power for Pumping and Treatment	21,892			21,892
Chemicals	-			-
Miscellaneous Supplies and Expenses	-	(4,340)	E	(4,340)
Treatment & Disposal	32,376			32,376
Maintenance Expenses				
Maintenance of Collection Sewer System	-			-
Maintenance of Pumping System	-			-
Maintenance of Treatment and Disposal Plant	2,022			2,022
Administrative and General Expenses				
Office Supplies and Other Expenses	2,432	2,491	K	4,923
Outside Services Employed	-			-
Employee Pensions and Benefits	-	16,763	G	
		871	H	17,635
Regulatory Commission Expense	-			-
Transportation Expense	-			-
Miscellaneous General Expenses	-			-
Rents	-			-
Maintenance of General Plant	-			-
Total Sewer Operation and Mnt. Expenses	111,414			125,530
Depreciation Expense	77,202	38,885	L	116,087
Taxes Other Than Income	-	4,326	G	
	-	15	F	4,340
Total Operating Expenses	188,616			245,957
Net Utility Operating Income	(47,085)			(96,052)

REVENUE REQUIREMENTS

Pro Forma Operating Expenses	\$	245,957
Plus: Avg. Annual Principal and Interest Pmts.	M	30,849
Additional Working Capital	N	6,170
Total Revenue Requirement	\$	282,976
Less: Other Operating Revenue		(660)
Interest & Investment Income		-
Revenue Required From Retail Rates	\$	282,316
Less: Revenue from Sales at Present Rates		(149,906)
Required Revenue Increase	\$	132,410
Percent Increase		88.3%

REFERENCES

- A. The amount reported for Metered Sales includes several categories of sales and other revenue items. The total of these items is deducted from Metered Sales and each item is reclassified to its respective category.
- B. The amount reported for Metered Sales also includes water and sewer tap fees. Tap fees are considered capital contributions and are deducted from operating revenue.
- C. The Current Billing Analysis for the Water Division results in pro forma sales revenue from residential and commercial customers of \$490,285. This indicates an addition to retail sales of \$12,807 is required. The Water Division Billing Analysis also shows that total Sales for Resale for usage in the test year amounts to \$26,251.

The Current Billing Analysis for the Sewer Division results in pro forma sales revenue of \$149,246. This indicates an addition to sewer sales of \$7,715 is required.

- D. The amount reported for Metered Sales includes \$660 for sewer connect fees. This amount is reclassified from the Water Division to the Sewer Division.
- E. During the test year labor and materials for new meter installations and a sewer tap were charged to operating expenses. Expenses for these capital improvements should be removed from operations. The amount of tap fees collected for these installations (\$4,800 water & \$6,200 sewer) can be substituted for the actual expenses. Thirty percent of total tap fees is deducted from Salaries and Wages and 70 percent is deducted from Materials and Supplies expense in each respective division.
- F. During and after the test year, there have been changes in employee wages and the roster. Based on employee hours worked in the test year and current wage rates, it is estimated that total Salaries and Wages expense will increase by \$885. This increase in wages results in a total payroll tax increase of \$68. These two amounts are allocated to the water and sewer divisions in proportion to the actual labor expenses reported in each division for the test year.
- G. All of the District's expenses for Employee Pensions & Benefits and Taxes Other Than Income were included in the Water Division report. Therefore, portions of the totals are deducted from the Water Division and added to the Sewer Division expenses. This allocation is based on the actual labor expenses reported in each division for the test year.
- H. With the increase in wages and an increase in the contribution rate charged by CERS, total payments for the CERS retirement program are estimated to increase by \$4,045. This amount is allocated to the water and sewer divisions as described in Items F and G.

- I. The District's test year water loss was 38.8 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. Due to GASB reporting requirements for retirement liabilities, the expense reported for the District's pension plan is \$81,060 more than the actual contribution paid to CERS. This amount was reported with Miscellaneous Expenses and is deducted.
- K. The total amounts for certain office expenses were reported in the Water Division only. These expenses should be allocated between water and sewer divisions in proportion to the number of customers served by each division. This allocation results in a deduction from the Water Division and an addition to the Sewer Division of \$2,491.
- L. 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 those recommended ranges. The required source for a sewer system's asset lives is the "O&M Guide for the Support of Rural Water-Wastewater Systems" by the Commission for Rural Water. Adjustments to the sewer depreciation schedule are based on this publication. See Table A.
- M. The annual debt service payments for the District's long-term debt are shown in Table B. The five-year average of these payments is added in the revenue requirement calculation.
- N. The amount shown in Table B for coverage on long term debt is required by the District's bond documents. This is included in the revenue requirement as Additional Working Capital.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS
Garrison-Quincy Water District

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported Life</u>	<u>Depr. Exp.</u>	<u>Proforma Life</u>	<u>Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<u>WATER SYSTEM</u>							
Buildings - Water							
Entire Group	various	\$ 380,866	varies	\$ 8,310	37.5	\$ 10,156	\$ 1,846
Vehicles & Heavy Equipment							
Dump Truck & Loader	2007	55,450	15.0	3,697	12.5	4,436	739
Xmark Lazor Z	07/04/05	8,585	15.0	572	12.5	687	115
Equipment/Tools/Office							
Telemetry Equipment	2008	17,845	20.0	892	10.0	1,785	893
Wells & Springs and Collecting Reservoirs							
Collecting Reservoirs	1990	42,579	45.0	946	45.0	946	-
Wells & Springs	various	136,851	45.0	3,041	30.0	4,562	1,521
Well & Plant Upgrades	2016	821,721	45.0	18,260	35.0	23,478	5,218
Pumping Equipment							
CR15-5 10HP	2017	2,787	10.0	278	20.0	139	(139)
Transmission & Distribution							
Entire Group	various	4,225,540	65.0	65,008	62.5	67,609	2,601
New Water Meters	2019	4,800	-	-	40.0	120	120
TOTALS - WATER SYSTEM				\$ 101,004		\$ 113,917	\$ 12,913
<u>SEWER SYSTEM</u>							
Buildings - Sewer							
Entire Group - Package WWTP	various	1,151,175	varies	23,034	30.0	38,373	15,339
Sewer Lines							
Sewer Lines	2011	4,100,000	75.0	54,667	52.5	78,095	23,428
New Sewer Service	2019	6,200	-	-	52.5	118	118
TOTALS - SEWER SYSTEM				\$ 77,701		\$ 116,586	\$ 38,885

* Includes only costs associated with assets that contributed to depreciation expense in the test year.

Table B
DEBT SERVICE SCHEDULE
Garrison-Quincy County Water District
CY 2022 - 2026

	<u>CY 2022</u>		<u>CY 2023</u>		<u>CY 2024</u>		<u>CY 2025</u>		<u>CY 2026</u>		<u>TOTALS</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
Water Division											
RD Series 1987A	\$ 13,000	\$ 5,578	\$ 14,000	\$ 4,718	\$ 15,000	\$ 3,793	\$ 16,000	\$ 2,805	\$ 17,000	\$ 1,753	\$ 93,647
RD Series 1987B	2,300	896	2,500	755	2,600	605	2,800	447	3,000	276	16,179
RD Series 1996	8,500	7,751	8,500	7,369	9,500	6,964	9,500	6,536	10,000	6,098	80,718
RD Series 2002	8,000	11,655	8,000	11,293	9,000	10,913	9,000	10,508	9,000	10,102	97,470
KIA Loan 2015	29,766	4,633	29,990	4,335	30,215	4,035	30,442	3,732	30,671	3,427	171,246
Totals	61,566	30,514	62,990	28,469	66,315	26,309	67,742	24,027	69,671	21,656	\$ 459,259
Average Annual Principal & Interest - Water											\$ 91,852
Average Annual Debt Service Coverage											\$ 18,370
Sewer Division											
RD Series 2010	16,000	14,603	16,500	14,237	17,000	13,860	17,500	13,472	18,000	13,073	154,244
Average Annual Principal & Interest - Sewer											\$ 30,849
Average Annual Debt Service Coverage											\$ 6,170

Attachment No. 5

**CURRENT BILLING ANALYSIS - 2019 USAGE & EXISTING RATES
Garrison-Quincy Water District - Water Division**

SUMMARY

	No. of Bills	Gallons Sold	Revenue
5/8" X 3/4" Meters	12,584	42,103,795	\$ 418,999
1" Meters	60	815,910	7,007
2" Meters	24	11,866,400	64,279
Totals	12,668	54,786,105	\$ 490,285

Pro Forma Retail Sales Revenue	\$ 490,285
Reported Bulk Sales	2,999
Pro Forma Sales for Resale	26,251
Total Water Sales Revenue	\$ 519,535

5/8" x 3/4" METERS

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 3,000	NEXT 5,000	ALL OVER 10,000	TOTAL
FIRST	2,000	5,068	4,913,744	4,913,744	-	-	-	4,913,744
NEXT	3,000	5,312	17,040,003	10,624,000	6,416,003	-	-	17,040,003
NEXT	5,000	1,721	11,565,611	3,442,000	5,163,000	2,960,611	-	11,565,611
ALL OVER	10,000	483	8,584,437	966,000	1,449,000	2,415,000	3,754,437	8,584,437
		12,584	42,103,795	19,945,744	13,028,003	5,375,611	3,754,437	42,103,795

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	12,584	\$ 20.50	\$ 257,972
NEXT	3,000	13,028,003	8.05	104,875
NEXT	5,000	5,375,611	6.73	36,178
ALL OVER	10,000	3,754,437	5.32	19,974
TOTAL	12,584	42,103,795		\$ 418,999

1" METERS

	USAGE	BILLS	GALLONS	FIRST 10,000	ALL OVER 10,000	TOTAL
FIRST	10,000	35	131,900	131,900	-	131,900
ALL OVER	10,000	25	684,010	250,000	434,010	684,010
		60	815,910	381,900	434,010	815,910

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	10,000	60	\$ 78.30	\$ 4,698
ALL OVER	10,000	434,010	5.32	2,309
TOTAL	60	815,910		\$ 7,007

2" METERS

	USAGE	BILLS	GALLONS	FIRST 50,000	ALL OVER 50,000	TOTAL
FIRST	50,000	3	47,100	47,100	-	47,100
ALL OVER	50,000	21	11,819,300	1,050,000	10,769,300	11,819,300
		24	11,866,400	1,097,100	10,769,300	11,866,400

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	50,000	24	\$ 291.10	\$ 6,986
ALL OVER	50,000		5.32	57,293
TOTAL	24	11,866,400		\$ 64,279

WHOLESALE SALES - City of South Shore

	USAGE	BILLS	GALLONS	FIRST 1,000,000	ALL OVER 1,000,000	TOTAL
FIRST	1,000,000	5	4,596,300	4,596,300	-	4,596,300
ALL OVER	1,000,000	7	8,125,600	7,000,000	1,125,600	8,125,600
		12	12,721,900	11,596,300	1,125,600	12,721,900

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	1,000,000	12	\$ 2,000.00	\$ 24,000
ALL OVER	1,000,000		2.00	2,251
TOTAL	12	12,721,900		\$ 26,251

**CURRENT BILLING ANALYSIS - 2019 USAGE & EXISTING RATES
Garrison-Quincy Water District - Sewer Division**

SUMMARY

	No. of Bills	Gallons Sold	Revenue
All Sewer Customers	3,695	11,936,710	\$ 149,246
Pro Forma Sewer Sales Revenue			\$ 149,246

All Sewer Customers

	USAGE	BILLS	GALLONS	FIRST 2,000	ALL OVER 2,000	TOTAL
FIRST	2,000	1,643	1,654,910	1,654,910	-	1,654,910
ALL OVER	2,000	2,052	10,281,800	4,104,000	6,177,800	10,281,800
		3,695	11,936,710	5,758,910	6,177,800	11,936,710

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	3,695	\$ 22.00	\$ 81,290
ALL OVER	2,000	6,177,800	11.00	67,956
TOTAL	3,695	11,936,710		\$ 149,246

Attachment No. 6

**PROPOSED BILLING ANALYSIS - 2019 USAGE & PROPOSED RATES
Garrison-Quincy Water District - Water Division**

SUMMARY

	No. of Bills	Gallons Sold	Revenue
5/8" X 3/4" Meters	12,584	42,103,795	\$ 496,503
1" Meters	60	815,910	8,303
2" Meters	24	11,866,400	76,122
Totals	12,668	54,786,105	\$ 580,928
Projected Retail Sales Revenue			\$ 580,928
Projected Bulk Sales			3,554
Pro Forma Sales for Resale			26,251
Total Water Sales Revenue			\$ 610,733

5/8" x 3/4" METERS

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 3,000	NEXT 5,000	ALL OVER 10,000	TOTAL
FIRST	2,000	5,068	4,913,744	4,913,744	-	-	-	4,913,744
NEXT	3,000	5,312	17,040,003	10,624,000	6,416,003	-	-	17,040,003
NEXT	5,000	1,721	11,565,611	3,442,000	5,163,000	2,960,611	-	11,565,611
ALL OVER	10,000	483	8,584,437	966,000	1,449,000	2,415,000	3,754,437	8,584,437
		12,584	42,103,795	19,945,744	13,028,003	5,375,611	3,754,437	42,103,795

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	12,584	\$ 24.29	\$ 305,665
NEXT	3,000	13,028,003	9.54	124,287
NEXT	5,000	5,375,611	7.98	42,897
ALL OVER	10,000	3,754,437	6.30	23,653
TOTAL	12,584	42,103,795		\$ 496,503

1" METERS

	USAGE	BILLS	GALLONS	FIRST 10,000	ALL OVER 10,000	TOTAL
FIRST	10,000	35	131,900	131,900	-	131,900
ALL OVER	10,000	25	684,010	250,000	434,010	684,010
		60	815,910	381,900	434,010	815,910

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	10,000	60	\$ 92.81	\$ 5,569
ALL OVER	10,000	434,010	6.30	2,734
TOTAL	60	815,910		\$ 8,303

2" METERS

	USAGE	BILLS	GALLONS	FIRST 50,000	ALL OVER 50,000	TOTAL
FIRST	50,000	3	47,100	47,100	-	47,100
ALL OVER	50,000	21	11,819,300	1,050,000	10,769,300	11,819,300
		24	11,866,400	1,097,100	10,769,300	11,866,400

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	50,000	24	1,097,100	\$ 344.81 \$ 8,275
ALL OVER	50,000		10,769,300	6.30 67,847
TOTAL	24	11,866,400		\$ 76,122

WHOLESALE SALES - City of South Shore

	USAGE	BILLS	GALLONS	FIRST 1,000,000	ALL OVER 1,000,000	TOTAL
FIRST	1,000,000	5	4,596,300	4,596,300	-	4,596,300
ALL OVER	1,000,000	7	8,125,600	7,000,000	1,125,600	8,125,600
		12	12,721,900	11,596,300	1,125,600	12,721,900

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	1,000,000	12	11,596,300	\$ 2,000.00 \$ 24,000
ALL OVER	1,000,000		1,125,600	2.00 2,251
TOTAL	12	12,721,900		\$ 26,251

**PROPOSED BILLING ANALYSIS - 2019 USAGE & PROPOSED RATES
Garrison-Quincy Water District - Sewer Division**

SUMMARY

	No. of Bills	Gallons Sold	Revenue
All Sewer Customers	3,695	11,936,710	\$ 201,482
Projected Sewer Sales Revenue			\$ 201,482

All Sewer Customers

	USAGE	BILLS	GALLONS	FIRST 2,000	ALL OVER 2,000	TOTAL
FIRST	2,000	1,643	1,654,910	1,654,910	-	1,654,910
ALL OVER	2,000	2,052	10,281,800	4,104,000	6,177,800	10,281,800
		3,695	11,936,710	5,758,910	6,177,800	11,936,710

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	2,000	3,695	\$ 29.70	\$ 109,742
ALL OVER	2,000	6,177,800	14.85	91,740
TOTAL	3,695	11,936,710		\$ 201,482

Attachment No. 7

Number	Property Description	Acquired	Method	Life	Cost/Basis	Accum Deprec @ 12/31/17	2018 Deprec	Accum Deprec @ 12/31/18	2019 Deprec	Accum Deprec @ 12/31/19	Book Value
LAND & EASEMENTS											
Water											
	Land & Land Rights	1990			3,576.00						3,576.00
	Land & Land Rights	1966			240,000.00						240,000.00
	Thayer Easement	2002			12.00						12.00
	Skidmore Easement	2010			4,500.00						4,500.00
	Lemaster Easement	2010			500.00						500.00
	Bivens Easement	2002			1,200.00						1,200.00
	Adams Easement	1987			3,500.00						3,500.00
	Chapman Easement	2007			7,500.00						7,500.00
	Mefford Easement	2002			1,000.00						1,000.00
Total Water					261,788.00	-	-	-	-	-	261,788.00
Sewer											
	Plant Easement	2011			15,000.00						15,000.00
	Sewer Plant Land	2011			35,000.00						35,000.00
Total Sewer					50,000.00	-	-	-	-	-	50,000.00
Total Land & Easements					311,788.00	-	-	-	-	-	311,788.00
Buildings											
Water											
	Structures & Improvements	1991	SL	35	48,666.00	37,542.34	1,390.46	38,932.80	1,390.46	40,323.26	8,342.74
	2002 Gile Double Wide Vin#GM203A	2010	SL	35	32,200.00	7,360.00	920.00	8,280.00	920.00	9,200.00	23,000.00
	Pump House	1987	SL	50	300,000.00	186,000.00	6,000.00	192,000.00	6,000.00	198,000.00	102,000.00
Total Water					380,866.00	230,902.34	8,310.46	239,212.80	8,310.46	247,523.26	133,342.74
Sewer											
	Sewer Plant	2011	SL	50	1,150,000.00	161,000.00	23,000.00	184,000.00	23,000.00	207,000.00	966,000.00
	Shed on Sewer Building	2019	SL	35	1,175.23	-	-	-	33.58	33.58	1,141.65
Total Sewer					1,151,175.23	161,000.00	23,000.00	184,000.00	23,033.58	207,033.58	967,141.65
Total Buildings					1,532,041.23	391,902.34	31,310.46	423,212.80	31,344.04	454,556.84	1,100,484.39
Vehicles & Heavy Equipment											
	07 Ford F-150	2006	SL	10	15,938.00	15,938.00	-	15,938.00	-	15,938.00	-
	Chevy F-150	2003	SL	10	17,756.00	17,756.00	-	17,756.00	-	17,756.00	-
	JD 850 Tractor	1996	SL	10	3,500.00	3,500.00	-	3,500.00	-	3,500.00	-
	Ingersoll Rand 185 Air Comp.	2003	SL	10	12,000.00	12,000.00	-	12,000.00	-	12,000.00	-
	07 Chevy Dumptruck	2007	SL	15	22,000.00	16,133.33	1,466.67	17,600.00	1,466.67	19,066.67	2,933.33
	07 Yanmar Loader CBL40	2007	SL	15	33,450.00	24,530.00	2,230.00	26,760.00	2,230.00	28,990.00	4,460.00
	Exmark Lazor Z 60" Deck 27hp	2012	SL	15	8,585.00	3,434.00	572.33	4,066.33	572.33	4,578.67	4,066.33
Total Vehicles					113,229.00	93,291.33	4,269.00	97,560.33	4,269.00	101,829.33	11,399.67
Equipment/Tools/Office											
	Telenry Equipment	2008	SL	20	\$ 17,845	8,922.50	892.25	9,814.75	892.25	10,707.00	\$ 7,138.00
	Computer System - Other Office Equip	2013	SL	5	8,250.00	8,250.00	-	8,250.00	-	8,250.00	-
	DLXT Locator	2008	SL	10	4,060.00	4,060.00	-	4,060.00	-	4,060.00	-
Total Equipment					30,155.00	21,232.50	892.25	22,124.75	892.25	23,017.00	7,138.00
Wells & Springs and Collecting Reservoirs											
	Collecting Reservoirs	1990	SL	45	42,579.00	26,493.60	946.20	27,439.80	946.20	28,386.00	14,193.00
	Well & Plant Upgrades	2013	SL	45	821,721.47	36,250.95	18,260.48	54,781.43	18,260.48	73,041.91	748,679.56
	Wells & Springs	1994	SL	45	42,622.00	22,731.73	947.16	23,678.89	947.16	24,626.04	17,956.96
	Wells & Springs	2006	SL	45	94,229.00	25,127.73	2,093.98	27,221.71	2,093.98	29,315.69	64,913.31
Total Wells & Springs					1,001,151.47	110,874.02	22,247.81	133,121.83	22,247.81	155,369.64	845,781.83
Pumping Equipment											
	Pumping Equipment	1997	SL	20	167,282.00	167,282.00	-	167,282.00	-	167,282.00	-
	CR15-5 10HP	2017	SL	10	2,787.00	274.72	278.70	553.42	278.70	832.12	1,954.88
Total Pumping Equipment					170,069.00	167,556.72	278.70	167,835.42	278.70	168,114.12	1,954.88
Transmission & Distribution											
	Transmission & Mains	1998	SL	65	2,161,819.00	665,175.08	33,258.75	698,433.83	33,258.75	731,692.58	1,430,126.42
	Transmission & Mains	2006	SL	65	171,030.00	31,574.77	2,631.23	34,206.00	2,631.23	36,837.23	134,192.77
	Transmission & Mains	2008	SL	65	892,912.00	137,371.08	13,737.11	151,108.18	13,737.11	164,845.29	728,066.71
	Transmission & Mains	2008	SL	65	180,352.00	27,746.46	2,774.65	30,521.11	2,774.65	33,295.75	147,056.25
	Transmission & Mains	2008	SL	65	23,307.00	3,585.69	358.57	3,944.26	358.57	4,302.83	19,004.17
	Transmission & Mains	2008	SL	65	13,339.00	2,052.15	205.22	2,257.37	205.22	2,462.58	10,876.42
	Transmission & Mains	2009	SL	65	33,897.00	4,693.43	521.49	5,214.92	521.49	5,736.42	28,160.58
	Transmission & Mains	2010	SL	65	39,828.00	4,901.91	612.74	5,514.65	612.74	6,127.38	33,700.62
	Kinney Rd. Project	1996	SL	65	295,000.00	99,846.15	4,538.46	104,384.62	4,538.46	108,923.08	186,076.92
	McDowell Project	2002	SL	65	356,000.00	87,630.77	5,476.92	93,107.69	5,476.92	98,584.62	257,415.38
	Transmission & Mains	2017	SL	65	11,000.00	169.23	-	338.46	169.23	507.69	10,492.31
	Transmission & Mains	2018	SL	65	30,000.00	-	461.54	461.54	461.54	923.08	29,076.92
	Transmission & Mains	2018	SL	65	11,000.00	-	169.23	169.23	169.23	338.46	10,661.54
	Transmission & Mains	2019	SL	65	6,056.00	-	-	-	93.17	93.17	5,962.83
Total Transmission & Distribution					4,225,540.00	1,064,746.72	64,915.14	1,129,661.86	65,008.31	1,194,670.17	3,030,869.83
Water Treatment											
	Water Treatment	1992	SL	20	\$ 542,810	\$ 542,810	-	542,810.00	-	542,810.00	\$ -
Total Water Treatment					542,810.00	542,810.00	-	542,810.00	-	542,810.00	-
Sewer Lines											
	Sewer Lines	2011	SL	75	4,100,000.00	382,666.67	54,666.67	437,333.33	54,666.67	492,000.00	3,608,000.00
Total Sewer Lines					4,100,000.00	382,666.67	54,666.67	437,333.33	54,666.67	492,000.00	3,608,000.00
Grand Totals					12,026,783.70	2,775,080.31	178,580.02	2,953,660.33	178,706.77	3,132,367.10	8,917,416.60
						* 2019 New Assots					7,231.23

Attachment No. 8a

BOND RESOLUTION

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

WATERWORKS REVENUE BONDS OF 1987

IN THE AMOUNT OF

\$300,000

CONSISTING OF

\$250,000 OF SERIES A BONDS

AND

\$50,000 OF SERIES B BONDS

I N D E X

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
	ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORITY; CONSTRUCTION PROJECT; AUTHORIZATION OF BONDS; PARITY LIEN.	
101	Definitions	2
102	Purpose; Construction of Construction Project; Waterworks System to Continue to be Operated as a Revenue-Producing Public Project; Authority	5
103	Construction Award Approved; Work Authorized	6
104	Declaration of Period of Usefulness	6
105	Authorization of Bonds	6
106	Current Bonds Shall be Payable Out of Gross Revenues, and Secured by Statutory Mortgage Lien; on a Parity with the Prior Bonds	7
107	Lien on Contracts	7
	ARTICLE 2. THE BONDS; REGISTERED BONDS; PRINCIPAL INSTALLMENTS; EXECUTION; PREPAYMENT; AND BOND FORM.	
201	Principal Installments	7
202	Issuance of Bond(s)	9
203	Place of Payment and Manner of Execution	9
204	Provisions as to Prepayment	9
205	Bond Form	9
	ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; AND FEDERAL ARBITRAGE LIMITATIONS.	
301	The Construction Account; Fidelity Bond of Treasurer; Covenants Applicable if FmHA Purchases the Bonds; Application of Proceeds of Bonds; Other Transfers and Deposits	14
	A. Covenants Applicable if FmHA Purchases Bonds	14
	B. Application of Proceeds of Bonds	14
	(1) Immediate Repayment of Interim Financing	15
	(2) Balance to be Deposited in Construction Account; Proceeds of Grants to be Deposited in Construction Account	15
	(3) Procedure for Withdrawal of Funds From Construction Account	15
	(4) Transfer of Capitalized Interest to Sinking Fund	16
	(5) Investment of Funds in Construction Account	16

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
	(6) Statement of Contractors, Engineers, and Attorneys as to Payment Required Prior to Delivery of Current Bonds, if Current Bonds Purchased by FmHA	17
	(7) Disposition of Balance in Construction Account After Completion of Project	17
302	Interim Financing Authorization	17
	(a) Commercial Interim Financing	17
	(b) Interim Financing from Source Other than a Financial Institution or FmHA	20
	(c) Possible Multiple Advances by FmHA if Bonds Shall be Purchased by FmHA	20
303	Arbitrage Limitations on Investment of Proceeds	21
	ARTICLE 4. OPERATION OF SYSTEM; FLOW OF FUNDS; CURRENT BONDS ON A PARITY WITH PRIOR BONDS; MONTHLY PAYMENTS OF PRINCIPAL AND INTEREST, IF REQUESTED BY FmHA, SO LONG AS FmHA OWNS OR INSURES ANY OF THE BONDS.	
401	Current Bonds on a Parity with Prior Bonds by Consent	24
402	Provisions of Prior Bond Resolution Incorporated Herein; Adjustments in Required Deposits	24
	A. Adjustments in Required Sinking Fund Deposits	25
	B. District to Make Principal and Interest Payments on Prior Bonds and Current Bonds on a Monthly Basis, if Requested by the FmHA, so Long as FmHA Owns or Insures all of the Prior Bonds and Current Bonds, or any Bonds of Either Issue	26
	C. Adjustment in Depreciation Fund Deposits	26
	D. Operation and Maintenance Fund	28
	E. Excess Funds	28
	ARTICLE 5. COVENANTS OF DISTRICT TO BONDOWNERS.	
501	Rates and Charges	28
502	Books and Accounts	29
503	System to Continue to be Operated on Fiscal Year Basis	29
504	General Covenants	30
505	Other Covenants Applicable So Long as FmHA Holds Any Bonds; Loan Resolution	31
506	Insurance on Motors, Tanks, and Structures	31

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
ARTICLE 6. INFERIOR BONDS AND PARITY BONDS; CONSENT OF FmHA REQUIRED IF FmHA PURCHASES CURRENT BONDS.		
601	Inferior Bonds	32
602	Parity Bonds to Complete the Construction Project	32
603	Parity Bonds to Finance Future Extensions, Additions, and/or Improvements; Conditions or Showings Required	33
604	Covenants to be Complied with at Time of Issuance of Parity Bonds	34
605	Prepayment Provisions (Conditions) Applicable to Parity Bonds	34
606	District Shall Not Issue Any Future Bonds or Obligations Against the System Without the Written Consent of the FmHA, So Long as FmHA Holds Any Bonds Against the System	35
607	Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities; Conditions	35
ARTICLE 7. DEFAULT; CONSEQUENCES.		
701	Events of Default	36
702	Consequences of Act of Default	36
ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL; AND MISCELLANEOUS PROVISIONS.		
801	This Resolution Contractual with Bondowners	37
802	All Current Bonds are Equal	37
803	District Obligated to Refund Current Bonds Held by Government Whenever Same is Feasible; Defeasement Prohibited	37
804	Approval and Acceptance of FmHA Grant Agreement	38
805	Alternate Statutory Authority	38
806	Authorization, Ratification, and Confirmation of Approval and Execution of Various Documents, including Legal Services Agreements of Bond Counsel and Local Counsel; Agreement for Engineering Services; Letter of Intent to Meet Conditions of Letter of Conditions of FmHA; and Loan Resolution	38
807	Authorization of Condemnation to Acquire Easements and/or Sites	39
ARTICLE 9. SALE OF BONDS.		
901	Sale of Bonds	40
902	Possible Adjustment in Date of Current Bonds, Maturities, Prepayment Provisions, and Other Dates, with Consent of Purchaser if Delivery is Delayed	40

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
	ARTICLE 10. CONCLUDING PROVISIONS.	
1001	Covenant of District to Take All Action Necessary To Assure Compliance with the Internal Revenue Code	41
1002	Severability Clause	41
1003	All Provisions in Conflict Repealed	41
1004	Effective Ten Days From Adoption	42
	CERTIFICATION	42

BOND RESOLUTION

RESOLUTION OF THE GARRISON-QUINCY-KY-0-HEIGHTS WATER DISTRICT OF LEWIS COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF THREE HUNDRED THOUSAND DOLLARS (\$300,000) PRINCIPAL AMOUNT OF GARRISON-QUINCY-KY-0-HEIGHTS WATER DISTRICT WATERWORKS REVENUE BONDS OF 1987, CONSISTING OF \$250,000 OF SERIES A BONDS AND \$50,000 OF SERIES B BONDS, 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; PROVIDING FOR SAID BONDS OF 1987 TO RANK ON A PARITY WITH CERTAIN OUTSTANDING WATERWORKS SYSTEM REVENUE BONDS OF 1966, PREVIOUSLY ISSUED BY THE DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID PROPOSED BONDS OF 1987 MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION, AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, COMPETITIVE SALE OF SAID BONDS OF 1987.

WHEREAS, the waterworks system (the "System") of the Garrison-Quincy-KY-0-Heights Water District is owned and operated by said District under Chapters 74 and 106 of the Kentucky Revised Statutes, and in that connection the District presently has outstanding \$166,000 of Bonds designated as Garrison-Quincy-Ky-0-Heights Water District Water Works System Revenue Bonds, dated February 8, 1966 (the "Prior Bonds"), scheduled to mature serially on January 1 in each of the respective years, 1988 through 2006, inclusive, which Prior Bonds, by their terms, are payable from and secured by a first pledge of the gross revenues derived from the operation of (and by a first statutory mortgage lien against) 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 Resolution of the District adopted on February 8, 1966 (the "Prior Bond Resolution"), authorizing the Prior Bonds, and

WHEREAS, the Prior Bonds were issued to and are now held by the Farmers Home Administration of the Department of Agriculture of the United States Government (the "FmHA"), and

WHEREAS, the FmHA, as the holder of the Prior Bonds, has consented to the issuance by the District of \$300,000 of bonds (the "Current Bonds"), ranking on a parity with the Prior Bonds, and

WHEREAS, it is the desire and intent of the District at this time to adopt this Resolution pursuant to said Statutes, to authorize and provide for the issuance of revenue bonds in the principal amount of \$300,000, consisting

of \$250,000 of Series A Bonds and \$50,000 of Series B Bonds, 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, in accordance with plans and specifications prepared by Kenco Associates, Inc., 9714 U.S. Rt. 60, Ashland, Kentucky 41101, now on file in the office of the Secretary of the District, 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 that such proposed Current Bonds be issued so as to rank on a parity basis with the Prior Bonds, and

WHEREAS, the Public Service Commission of Kentucky has issued an Order on April 2, 1987, granting 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 a Federal (FmHA) grant in the amount of approximately \$250,000, to provide the total cost of such construction, and

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT OF LEWIS COUNTY, KENTUCKY, AS FOLLOWS:

ARTICLE 1.

DEFINITIONS; PURPOSE; AUTHORITY; CONSTRUCTION
PROJECT; AUTHORIZATION OF BONDS; PARITY LIEN.

Section 101. Definitions.

As used in this Resolution, unless the context requires otherwise:

"ACT" refers to Chapters 74 and 106 of the Kentucky Revised Statutes.

"ALL BONDS" refers to the outstanding Bonds of 1966 and the Current Bonds.

"BEGINNING MONTH" means the month following the month in which the Current Bonds are issued, sold, and delivered to the purchaser thereof.

"BOND," "OWNER," "HOLDER," and "PERSON" shall include the plural as well as the singular number unless the context shall otherwise indicate. The

term "bondholder" or "bondowner" means and contemplates, unless the context otherwise indicates, the registered owner(s) of the Current Bonds at the time issued and outstanding hereunder, or any of them.

"BONDS OF 1966" or "PRIOR BONDS" refers to the outstanding Bonds of the original authorized issue of \$240,000 of bonds designated as "Garrison-Quincy-KY-0-Heights Water District Water Works System Revenue Bonds," dated November 15, 1966.

"BOND RESOLUTION OF 1966" or "1966 BOND RESOLUTION" or "PRIOR BOND RESOLUTION" refers to the Resolution authorizing the Bonds of 1966, duly adopted by the Board of Commissioners of the District on February 8, 1966.

"COMMISSION" means the Board of Commissioners of the Garrison-Quincy-KY-0-Heights Water District of Lewis County, Kentucky, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"CONSTRUCTION PROJECT" or "WATERWORKS CONSTRUCTION PROJECT" refers specifically to the construction of the currently proposed extensions, additions, and improvements to the existing waterworks System of the District, which Construction Project is being financed by the Current Bonds herein authorized (supplemented by other funds).

"CURRENT BONDS" or "BONDS OF 1987" or "BONDS" refers to the \$300,000 of bonds authorized herein, bearing the designation "Garrison-Quincy-KY-0-Heights Water District Waterworks Revenue Bonds of 1987," to be dated as of the date of issuance thereof.

"CURRENT BOND RESOLUTION" refers to this Resolution authorizing the Current Bonds.

"DEPOSITORY BANK" means the bank at which the principal of and interest on the Prior Bonds have been and will continue to be payable and which has served and shall continue to serve as the depository of all of the various funds created in the Prior Bond Resolution, and which funds will be continued pursuant to this Resolution, and of the Construction Account created in this Current Bond Resolution, which bank is the Citizens Deposit Bank & Trust, Garrison Branch, Garrison, Kentucky, or its successor.

"DEPRECIATION FUND" refers to the Garrison-Quincy-KY-0-Heights Water District "Depreciation Fund," created in Section 6B of the Prior Bond Resolution.

"DISTRICT" refers to the Garrison-Quincy-KY-0-Heights Water District, of Lewis County, Kentucky.

"ENGINEER" or "ENGINEERS" or "CONSULTING ENGINEERS" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Construction Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Construction Project, and shall be deemed to refer to Kenco Associates, Inc., 9714 U.S. Rt. 60, Ashland, Kentucky 41101, or a member of said firm, or their successors or successor.

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

"FULLY REGISTERED BOND" refers to a single or series of negotiable (subject to registration requirements as to transferability, as herein prescribed) Bond(s) payable to the registered owner, of the form set out in this Resolution under the title "(FORM OF FULLY REGISTERED BOND)."

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

"INDEPENDENT CONSULTING ENGINEER" or "CONSULTING ENGINEER" refers to an Independent Consulting Engineer or firm of Engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

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

"OUTSTANDING BONDS" refers to the outstanding Prior Bonds and Current Bonds, and any additional 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 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 \$300,000 of Current Bonds herein specifically authorized, which bonds issued in the future will, pursuant to the provisions of the Prior Bond Resolution and of this Current Resolution, rank on a basis of parity with said

outstanding Prior Bonds and Current 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 Prior Bonds and Current Bonds.

"PRIOR BONDS" refers to the outstanding Bonds of 1966.

"PRIOR BOND RESOLUTION" refers to the 1966 Bond Resolution.

"REVENUE FUND" refers to the Garrison-Quincy-KY-O-Heights Water District "Water Revenue Fund," created in Section 6 of the Prior Bond Resolution.

"SINKING FUND" refers to Garrison-Quincy-KY-O-Heights Water District "Waterworks Bond and Interest Sinking Fund," created in Section 6A of the Prior Bond Resolution.

"STATUTES" refers to the Act.

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

"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.

Section 102. Purpose; Construction of Construction Project; Waterworks System to Continue to be Operated as a Revenue-Producing Public Project; Authority.

The Current Bonds herein authorized shall be issued for the purpose of financing the cost (not otherwise provided) of the Waterworks Construction Project, as defined herein, as set out in the plans and specifications prepared by the District's Consulting Engineers. The Commission hereby reaffirms the declaration that the waterworks system of the District, including the extensions, additions, and improvements to be constructed, shall constitute a revenue-producing public project or System, and said System shall continue to be owned, controlled, operated, and maintained by the District as a revenue-producing public project or System pursuant to the Act, so long as any of the Prior Bonds, the Current Bonds herein authorized, or any additional Parity Bonds, remain outstanding, for the security and source of payment of all of

such bonds, which are payable from and secured by a first pledge of the gross revenues of, and by a first statutory mortgage lien against, the System, all ranking on a parity.

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 Construction 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 Construction 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 aforesaid waterworks System is more than forty (40) years from the date of completion of the proposed Construction Project.

Section 105. Authorization of Bonds.

The District Commission has heretofore determined that the total cost of the Construction 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 be not exceeding \$550,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost, not otherwise provided, of the Construction Project that the District issue a total of \$300,000 of Current Bonds, based on the following calculation:

Total cost of Construction Project	\$550,000
Less FmHA grant	<u>250,000</u>
Balance to be financed by Current Bonds	\$300,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Construction Project, under the provisions of the Act, there are hereby authorized to be issued and sold Three Hundred Thousand Dollars (\$300,000) principal amount of Garrison-Quincy-KY-0-Heights Water District Waterworks Revenue Bonds of 1987 (the "Current Bonds"), consisting of \$250,000 of Series A Bonds and \$50,000 of Series B Bonds.

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 or rates 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 or according to the form of "Fully Registered Bond," as prescribed in Section 205 hereof.

Interest on the Current Bonds shall be payable semi-annually 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 the Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Current Bonds Shall be Payable Out of Gross Revenues and Secured by Statutory Mortgage Lien; on a Parity with the Prior Bonds.

All of the Current Bonds, together with the interest thereon, the Prior Bonds, and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured on a parity first lien basis by and payable solely from 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, on a parity first lien basis, 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; and such lien shall take effect immediately upon delivery of the Current Bonds.

Section 107. Lien on Contracts.

In addition to the revenue pledge and statutory mortgage lien securing the Bonds, a first parity lien is hereby created and granted in favor of the Current Bonds 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; REGISTERED BONDS; PRINCIPAL INSTALLMENTS;
EXECUTION; PREPAYMENT; AND BOND FORM.

Section 201. Principal Installments.

Principal installments due on the Current Bonds shall be as follows:

<u>PAYMENT DUE JANUARY 1</u>	<u>PRINCIPAL INSTALLMENTS SERIES A BONDS</u>	<u>PRINCIPAL INSTALLMENTS SERIES B BONDS</u>	<u>TOTAL ANNUAL PRINCIPAL INSTALLMENTS</u>
1990	\$ 1,000	\$ 400	\$ 1,400
1991	1,000	400	1,400
1992	2,000	400	2,400
1993	2,000	400	2,400
1994	2,000	500	2,500
1995	2,000	500	2,500
1996	2,000	500	2,500
1997	2,000	600	2,600
1998	2,000	600	2,600
1999	3,000	600	3,600
2000	3,000	700	3,700
2001	3,000	700	3,700
2002	3,000	700	3,700
2003	3,000	800	3,800
2004	4,000	800	4,800
2005	4,000	900	4,900
2006	4,000	900	4,900
2007	4,000	1,000	5,000
2008	5,000	1,100	6,100
2009	5,000	1,100	6,100
2010	5,000	1,200	6,200
2011	6,000	1,300	7,300
2012	6,000	1,300	7,300
2013	7,000	1,400	8,400
2014	7,000	1,500	8,500
2015	8,000	1,600	9,600
2016	8,000	1,700	9,700
2017	9,000	1,800	10,800
2018	10,000	1,900	11,900
2019	10,000	2,000	12,000
2020	11,000	2,100	13,100
2021	12,000	2,200	14,200
2022	13,000	2,300	15,300
2023	14,000	2,500	16,500
2024	15,000	2,600	17,600
2025	16,000	2,800	18,800
2026	17,000	3,000	20,000
2027	19,000	3,200	22,200

Section 202. Issuance of Bond(s).

The purchaser of the Current Bonds at the public sale shall take delivery of each Series of the Bonds in the form of a single or a series of Fully Registered Bonds, as prescribed in Section 205 below, amounting in the aggregate to the principal amount of the Bonds authorized herein, maturing as to principal in installments as set out above. Such Fully Registered Series A Bond(s) shall be numbered AR-1 (and consecutively thereafter, AR-2, etc.), and such Fully Registered Series B Bonds shall be numbered BR-1 (and consecutively thereafter, BR-2, etc.), shall be of type composition, shall be on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. Such Fully Registered 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), without interest coupons, registered as to principal and interest, payable as directed by the registered owner, and shall be in substantially the form hereinafter set forth.

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 Fully Registered Bond prescribed in Section 205 below. The Bonds shall be executed on behalf of the District by being signed manually by the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual 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 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, installments of principal falling due prior to January 1, 1999, shall not be subject to prepayment. Installments of principal falling due on and after January 1, 1999, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 1998, upon terms of 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 Bonds, or installments in a multiple of \$1,000 [\$100], may be prepaid at any time in inverse chronological order of the installments due, at face amount plus accrued interest without any prepayment penalty.

Section 205. Bond Form.

The Current Bonds shall be in substantially the following form, with appropriate insertions, omissions, and variations consistent with or as provided or permitted in this Resolution:

(FORM OF FULLY REGISTERED BOND)

BOND NO. R-1

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF LEWIS
GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
WATERWORKS REVENUE BOND OF 1987
SERIES A [B]

No. AR-1 ANNUAL INTEREST RATE: _____ % \$250,000
[No. BR-1] [\$50,000]

KNOW ALL MEN BY THESE PRESENTS:

That the Garrison-Quincy-KY-O-Heights Water District, acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Lewis Kentucky, for value received, hereby promises to pay to

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

TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000),
[FIFTY THOUSAND DOLLARS (\$50,000),]

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

Year Principal Year Principal Year Principal

(Here the printer of the Bond will print the maturities of the Bond purchased by the individual purchaser (registered owner))

without deduction for exchange or collection charges; and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Annual Interest Rate designated above, semiannually on the first days of January and July in each year hereafter 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.

These Bonds, consisting of this Series A [B] Bond and the Series B [A] Bond in in the amount of \$50,000 [\$250,000], are issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Bond Resolution of the District

authorizing same (the "Current Bond Resolution"), to which 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 "waterworks System" or the "System").

These Bonds rank on a parity as to security and source of payment with certain outstanding Garrison-Quincy-KY-0-Heights Water District Water Works System Revenue Bonds, dated November 15, 1966 (the "Prior Bonds"), authorized by a Resolution adopted by the Commission of the Water District on February 8, 1966 (the "Prior Bond Resolution").

These Bonds have been issued in full compliance with the Prior Bond Resolution (pursuant to the consent of the owner of all of the Prior Bonds); and this Bond, together with said Prior Bonds, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current and Prior Bond Resolutions, are and will continue to be payable on a parity first lien basis from and secured by an exclusive first pledge of a fixed portion of the gross revenues to be derived from the operation of the System, which fixed portion of said revenues shall be sufficient to pay the principal of and interest on the Prior Bonds, this Bond, and any additional bonds ranking on a parity therewith, as may be issued and outstanding under the conditions and restrictions set out in said Bond Resolutions, as and when the same become due and payable, and a sufficient portion of which revenues shall be set aside as a special fund for that purpose and identified as the "Garrison-Quincy-KY-0-Heights Water District Waterworks Bond and Interest Sinking Fund," created in the Prior Bond Resolution.

These Bonds do 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 these Bonds 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 Statutes for the security and source of payment of the Prior Bonds and of these Bonds, 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 interest on and principal of the Prior Bonds, these Bonds, and all other bonds ranking on a parity herewith 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.

A first statutory mortgage lien, which is hereby recognized as valid and binding on the waterworks System, has been created and granted by the District by the Current Bond Resolution pursuant to said Statutes, and more specifically Section 106.080 of the Kentucky Revised Statutes, to and in favor of the registered owners of these Bonds, ranking on a parity with the Prior

Bonds; and the System and all appurtenances thereof and extensions thereto shall remain subject to such statutory mortgage lien until payment in full of the principal of and interest on the Prior Bonds and on these Bonds.

The City 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 showings as to the earnings coverage required by the Current Bond Ordinance are in existence and properly certified.

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, 1998, 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) [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 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 Government, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$1,000 (\$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 his option, institute all rights and remedies provided by law or by said Resolution.

This Bond is exempt from taxation in the Commonwealth of Kentucky.

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 Garrison-Quincy-KY-0-Heights 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

GARRISON-QUINCY-KY-0-HEIGHTS
 WATER DISTRICT
 Lewis 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 his attorney, such transfer to be made on said book and endorsed hereon.

(FORM OF REGISTRATION)

Date of Registration	Name of Registered Owner	Signature of Secretary of the Garrison-Quincy-KY-0-Heights 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: _____

ARTICLE 3.

CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION
OF PROCEEDS; AND FEDERAL 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 of the District, or such other District official(s) as shall be designated by the Commission (herein referred to as the "Treasurer"), shall be the custodian of all funds belonging to and associated with the water-works System, and such funds shall be deposited in the Citizens Deposit Bank & Trust, Garrison Branch, Garrison, Kentucky (the "Depository Bank"), which bank is a member of the Federal Deposit Insurance Corporation. All moneys in excess of the amount insured by the FDIC in the Construction Account (hereinafter referred to) shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a Fidelity Bond in the amount of not less than \$25,000, or such larger amount as the FmHA may require, which Fidelity Bond shall be effective and secured by a surety company approved by the Farmers Home Administration of the United States Department of Agriculture so long as it is holder of any of the Bonds; the FmHA and the District shall be named co-obligees in such surety 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 \$25,000, the Fidelity Bond shall be increased accordingly as requested by and 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(s).

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, shall apply only if the FmHA is the purchaser of the Bonds and only so long as the FmHA holds 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 a nongovernmental owner, 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, shall be inapplicable.

B. Application of Proceeds of Bonds.

The proceeds of said \$300,000 of Current Bonds shall be applied as follows:

(1) Immediate Repayment of Interim Financing.

There shall immediately be paid to the Bank(s) and/or the FmHA entitled thereto an amount sufficient to pay interest on and principal of any temporary loans (if any), and/or any Multiple Advances furnished by the FmHA pursuant to Section 302(c) hereof, borrowed by the District in anticipation of the sale and delivery of the Bonds and/or of the receipt of grant proceeds, or the interest on and principal of such temporary loans may be paid simultaneously with the delivery of the Bonds, to the extent of part or all of the proceeds of the Bonds, as may be required by said Bank(s), and/or by the FmHA, in which event the amount to be so deposited into the Construction Account shall be reduced by such amount so paid. 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 Project and in connection with the issuance of the Current Bonds.

(2) Balance to be Deposited in Construction Account; Proceeds of Grant to be Deposited in 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 "Garrison-Quincy-KY-O-Heights Water District Construction Account" (the "Construction Account"), hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the proceeds of said Federal grant, 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.

(3) Procedure for Withdrawal of Funds From Construction Account.

(a) Prior to the expenditure by the District of any funds from the Construction Account derived from the proceeds of the Bonds, the District must obtain written approval from the FmHA as to such expenditures. The proceeds of said Account shall be withdrawn only on checks signed by the District Treasurer, in payment for services and/or materials supplied in connection with the Construction Project, as evidenced by (1) a certification of the Engineers designated herein, and (2) written approval of the Chairman (or by such other official of the District as may be authorized by the Commission).

(b) Prior to the expenditure by the District of any funds from the Construction Account derived from interim financing or from multiple advances from the FmHA, the District must obtain approved invoices and/or Partial Payment Estimates bearing the written approval of the Contractor, the Engineer, and the Chairman, and which invoices and/or Partial Payment Estimates must have been reviewed and approved for payment by the designated FmHA official.

(c) Written approval 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. Executed certifications (authorizing payment) shall be retained by the District Treasurer and need not be furnished to the Depository Bank, which shall be authorized to honor checks signed by the District Treasurer.

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

During construction, the District shall disburse Project 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. Forms FmHA 440-11 and SF-272 will be submitted to FmHA simultaneously.

(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 \$10,000) during the construction of the Project, 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 Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund hereinafter identified.

(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 Time 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 Project (as determined by the Engineers, the Chairman of the District, 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 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 KRS 66.480. Investments in Certificates of Time 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 Required Prior to Delivery of Current Bonds, if Current Bonds Purchased by FmHA.

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 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 Project.

When the construction of 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 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 additional extensions, additions, and/or improvements to the System, and/or 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 hereinafter identified, whereupon said Construction Account shall be closed. If such additional construction is to be undertaken by the contractor previously engaged in the Construction Project, such additional work may be authorized by a change order. Such balance so transferred shall be used by the District immediately to prepay installments due on the Bonds 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 will be transferred to the Depreciation Reserve Fund hereinafter identified.

Section 302. Interim Financing Authorization.

(a) Commercial Interim Financing.

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

The borrowing of up to the aggregate sum of \$300,000 from the Citizens Deposit Bank & Trust, Vanceburg, Kentucky (either alone or through its correspondent bank), or from any other financial institution (hereinafter collectively and individually referred to as the "Lenders"), is hereby authorized; and the Chairman of the District, William E. Ruggles, or his successor, is hereby authorized to execute in the name and on behalf of the District (1) a single note (the "Note") in the amount of the interim loan with provision for advances against the amount of such Note, or (2) any number of notes ("Notes"), in such form as may be prescribed by the Lenders, including Revenue Bond Anticipation Notes pursuant to KRS 58.150. Each advance or Note shall evidence a loan of cash funds by the Lenders to the District for services and/or materials supplied in connection with the aforesaid Construction Project, as evidenced by (i) a certification of the Engineers designated herein, (ii) written approval of the Chairman or by such other official of the District as may be authorized by the Commission, and (iii) written approval of the FmHA; provided, however, that written approval 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.

Interim financing shall be disbursed as follows:

(A) At the request of the District, the Lenders are and shall be authorized to disburse the proceeds of any such Note or Notes by cashier's checks directly to the parties entitled thereto based on the certification specified herein; or

(B) At the request of the District, the Lenders are and shall be authorized to deposit the proceeds of such Note or Notes 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 (without the use of a Deposit Agreement of the FmHA), and a Fidelity Bond in an amount equal to not less than the maximum amount deposited in such Account must be furnished by the proper official of the District, as provided in Section 301 hereof.

(C) The proceeds of such Note or Notes deposited in the Construction Account shall be disbursed only on checks signed by the District Treasurer (or such other District official as may be designated by the Commission), as provided in Section 301B(3) hereof and subject to all the provisions of such Section.

The authority hereby granted to the Chairman includes the execution of renewal Notes in evidence of the renewal and extension of Note(s) becoming due, provided the aggregate of the principal amount of all such Note(s) outstanding and payable to the Lenders shall not exceed \$300,000, and provided each Note which is renewed or superseded is simultaneously cancelled by the Lenders and transmitted to the District Treasurer. The rate of interest applicable to each Note and to each renewal Note shall not exceed a reasonable rate, which rate is subject to the approval of the FmHA.

Authority is hereby given for said total authorized interim financing of \$300,000 to be the maximum indebtedness which the District may owe to said Lenders; provided, however, that the District may reduce the amount owed by the District to said Lenders from time to time as and when funds are available to the District, whether derived from the proceeds of the Federal grant, the proceeds of the sale of the Current Bonds, or otherwise, and may reborrow from said Lenders additional amounts in anticipation of the further receipt by the District of additional proceeds from the Bonds and/or grant, in order thus to enable the District to save interest costs by applying the proceeds of the Bonds and/or grant and/or other funds as received and which are not immediately needed for the payment of costs of the Construction Project, toward the liquidation and/or reduction of said interim financing loans until such time as additional interim financing loans are needed to provide additional funds for costs of the Construction Project as required by the District, subject to the limitation that the total amount owed to said Lenders at any given time shall not be in excess of \$300,000.

The District hereby covenants and agrees with said Lenders that upon the issuance and delivery of the Current Bonds and/or the receipt of said grant, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of all the Note(s) of the District then held by said Lenders, together with interest thereon to the date of such payment; and the first proceeds of said Bonds and grant are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds. The District further pledges the proceeds of the gross revenues of the System to the payment of said interim financing, such pledge ranking on a parity with the Prior Bonds and the Current Bonds.

Although the proceeds of the Current Bonds and grant are pledged to the repayment of said interim financing, it is recognized that the proceeds of the grant may be applied to the extent required at the time of receipt of the proceeds of said grant, to the payment of costs of the Construction Project due and owing by the District at the time of receipt of such proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the proceeds of said grant are in excess of any costs of the Construction Project due and owing at the time of receipt thereof, such proceeds may be applied, in the same manner as hereinabove indicated, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. In any event, the proceeds of said grant and of any other grants earmarked for the Construction Project, are pledged, together with the proceeds of the Current Bonds, to the repayment of such interim financing.

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

(b) Interim Financing from Source Other Than a Financial Institution or FmHA.

In the event that the District is able to obtain interim financing at a reasonable rate and on reasonable terms from any source ("Alternate Lender"), other than a financial institution or the FmHA, including any State or Federal Agency, the provisions of subsection (a) above shall apply in all respects to such interim financing, with the reference to Lenders in said subsection (a) being deemed to refer to the Alternate Lender. In addition, the Chairman and the Secretary of the District are hereby authorized to execute any additional documents required by the Alternate Lender and approved by Bond Counsel, without any further action of this Commission.

(c) Possible Multiple Advances by FmHA if Bonds Shall be Purchased by FmHA.

In the event the Bonds are purchased by the FmHA, and in the event the District is unable to obtain a commitment for commercial interim financing for the Project during construction from any Bank at reasonable rates and terms, the Chairman is authorized to request multiple advances ("Multiple Advances") of loan funds from the FmHA.

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

Each request for an advance from the FmHA shall be accompanied by (1) a certification of the Engineers designated herein, and (2) written approval of the Chairman or by such other official of the District as may be authorized by the Commission; provided, however, that written approval 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 District will also furnish to the FmHA, prior to the receipt of each such advance, whatever additional documentation shall be requested by the FmHA, including a Supplemental Title Opinion (updated) of Local Counsel and a Supplemental Preliminary Legal Opinion (updated) of Bond Counsel.

The proceeds of any Multiple Advances made by the FmHA 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 301B(3) hereof, in which event amounts of the District on deposit in such 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 (without the use of a Deposit Agreement of the FmHA, unless requested by the FmHA), and a Fidelity Bond in an amount equal to not less than the maximum amount deposited in such Account must be furnished by the proper official of the District, as provided in Section 301 hereof.

The first proceeds of the 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 proceeds of the revenues of the System to the repayment of said Multiple Advances, subject to the priority of the pledges securing the Prior Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds.

The District covenants and certifies, in compliance with the Internal Revenue Code, as amended (the "Code"), and the applicable Regulations thereunder (the "Regulations"), as follows:

(a) The District certifies, on the basis of known facts and reasonable expectations on the date of adoption of this Bond Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause such Bonds to be arbitrage bonds. The District covenants to the purchasers and/or holders of the Current Bonds that (1) the District will make no use of the proceeds of said Bonds, which, if such use had been reasonably expected on the date of issue of such Bonds, would have caused such Bonds to be arbitrage bonds, and (2) that the District will comply with (i) all of the requirements of Section 148 of the Code, and (ii) all of the requirements of the applicable Regulations relating thereto, to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute arbitrage bonds.

(b) The District certifies, based on information furnished by the Engineers, and on known facts and reasonable expectations at this time, as follows:

- (1) that the District has entered into a contract with the Engineers for engineering services in connection with the Construction Project financed by the Current Bonds and the fees to be paid to such Engineers will exceed 2-1/2% of the total cost of the Project;
- (2) that work on the Construction Project has commenced or will commence within six months from the date of issuance of the Current Bonds;
- (3) that the construction of said Construction Project will proceed thereafter to completion with due diligence on the part of the District;
- (4) that all of the proceeds of the Current Bonds will be expended on the costs of the Construction Project within less than three years from the date of issuance of the Current Bonds, or the date of the first interim financing loan, whichever occurs first;

- (5) that it is anticipated that amounts on deposit in the Sinking Fund will be used within thirteen (13) months from the date of deposit for the payment of debt service on the Outstanding Bonds, and that, except for an amount equal to not more than the greater of (i) one-twelfth (1/12) of debt service requirements of the Outstanding Bonds for the then ensuing year, or (ii) one year's earnings on the Sinking Fund, such Sinking Fund will be depleted through such application for current debt service requirements of the Outstanding Bonds;
- (6) that it is not anticipated that amounts will be accumulated in any reserve fund anticipated to be used for debt service on the Outstanding Bonds in excess of an amount reasonably required to sell the Current Bonds; however, in no event shall such amount exceed the lesser of (a) the maximum annual debt service on all Outstanding Bonds, (b) 1.25 times the average annual debt service for principal and interest on all Outstanding Bonds, or (c) 15% of (i) the face amounts (par) of the original authorized issue or series, or (ii) the net proceeds thereof if sold at less than 98% of par, of whatever bonds are outstanding against and payable from the revenues of the System; and it is not anticipated that an amount in excess of 10% of the proceeds (or any amount of the proceeds) from the sale of the Current Bonds will be deposited in any such reserve fund;
- (7) that it is not reasonably anticipated that amounts accumulated in the Depreciation Fund will be used for payment of the debt service on any Outstanding Bonds, even though such Fund will be available if necessary to prevent a default in the payment of principal and interest on such Bonds;
- (8) that the original proceeds of the Current Bonds will not exceed by more than five percent (5%) (or by any percent) the amount required (after deducting the available proceeds of the grant, connection charges, and any other funds provided by the District) for the costs of the Construction Project; and there has therefore been no overissuance of the Current Bonds; and
- (9) that the District has not been advised of any listing or contemplated listing by the Internal Revenue Service determining that the foregoing type of certification with respect to the District's obligations may not be relied on.

(c) The District covenants that neither the proceeds of the Bonds, nor "Non-Exempt Revenues of the District," as defined herein, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Bonds, if such investment would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code, and the applicable regulations relating thereto; provided, however, that such proceeds and/or revenues may be

invested to whatever extent and whenever such Code and/or applicable Regulations permit same to be invested without causing the Current Bonds to be treated as "arbitrage bonds."

"Non-Exempt Revenues" within the meaning of the foregoing shall be deemed to refer to revenues of the District deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Outstanding Bonds, in excess of "Exempt Revenues," which Exempt Revenues are:

- (1) amounts deposited in the Sinking Fund for the purpose of paying debt service on any Outstanding Bonds within 13 months from the date of deposit;
- (2) amounts deposited in any reserve earmarked for or anticipated to be used for debt service on Outstanding Bonds, to the extent that such deposits do not cause the total amount of such revenues, deposits, and other excess Non-Exempt Revenues, to exceed 15% of the Outstanding Bonds for which adequate provision was made to obtain the appropriate 15% exemption;
- (3) amounts deposited in a Depreciation Fund, Operation and Maintenance Fund, or any other fund (however designated) reasonably expected to be used for extensions, additions, improvements, repairs, or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose) of Outstanding Bonds.

If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment, such funds shall be subject to the investment limitation referred to in Section 303A above.

Accordingly it is anticipated that there will be no limitation on the permissible yield on investments made from the proceeds of the Current Bonds.

Prior to or at the time of delivery of the Bonds, the Chairman and/or the District Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) is authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated construction, expenditures, and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code and the Treasury Regulations relating thereto, in order to assure that interest on the Current Bonds will be exempt from all Federal income taxes and that the Current Bonds will not be treated as arbitrage bonds.

ARTICLE 4.

OPERATION OF SYSTEM; FLOW OF FUNDS; CURRENT BONDS ON A PARITY WITH PRIOR BONDS; MONTHLY PAYMENTS OF PRINCIPAL AND INTEREST, IF REQUESTED BY FmHA, SO LONG AS FmHA OWNS OR INSURES ANY OF THE BONDS.

Section 401. Current Bonds on a Parity with Prior Bonds by Consent.

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 Secretary of the District (a) a letter from the Farmers Home Administration (FmHA) to the effect that the FmHA agrees to the issuance of these Current Bonds ranking on a parity as to security and source of payment with the Prior Bonds, all of which are owned by the FmHA, together with (b) a certification signed by the FmHA to the effect that a legend has been typed, stamped, or otherwise affixed on each of the Prior Bonds held by the FmHA, evidencing the agreement of the FmHA as the then owner of the Prior Bonds, to the issuance of the Current Bonds in the amount of \$250,000, 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 \$300,000 of Bonds of 1987 ranking on a parity as to security and source of payment with this Bond.

Accordingly, it is hereby found and declared that the \$250,000 of Current Bonds shall rank and be payable on a parity with said outstanding Prior Bonds, from the gross income and revenues of said waterworks System of the District.

Section 402. Provisions of Prior Bond Resolution Incorporated Herein; Adjustments in Required Deposits.

All proceedings preliminary to and in connection with the issuance of said outstanding Prior Bonds of the District, including provisions made for the receipt, custody, and application of the proceeds of said Bonds; for the operation of the System on a revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; for the enforcement and payment of said Bonds, and for the depreciation of the System; and all other covenants for the benefit of bondholders 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 Current Bonds, as well as of the Prior Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that the amount of the cash income and revenues of the System, to be paid into the "Waterworks Bond and Interest Sinking Fund" (the "Sinking Fund"), during each of the fiscal (calendar) years so long as any of the Prior Bonds and Current Bonds are outstanding, shall be sufficient to pay when due the interest upon and principal of all of the Prior Bonds and of all of the Current Bonds, as hereinafter specified.

A. Adjustments in Required Sinking Fund Deposits.

In accordance with the requirements of Sections 6 and 12 of the Prior Bond Resolution, it is hereby recognized that the District is obligated upon the issuance of the Current Bonds, ranking on a parity with the Prior Bonds, to provide for additional debt service requirements of the Current Bonds.

Accordingly, it is hereby provided that Section 6 of the Prior Bond Resolution is amended and supplemented to provide further as follows:

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$10,000) on the Current Bonds during the construction of the Project, 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 Project. Such amount so transferred from the Construction Account, shall be deposited in the Sinking Fund.

Until the expiration of the month in which interest on the Current Bonds is last payable out of the sum set aside into the Sinking Fund as capitalized interest, there shall continue to be transferred and deposited (as heretofore required by Section 6A of the Prior Bond Resolution) in each month from the Revenue Fund created in Section 6 of the Prior Bond Resolution and into which Revenue Fund all cash income and revenues derived from the operation of the System are required to be deposited, into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Prior Bonds, a sum equal to the total of the following:

- (a) An amount equal to one-sixth (or such larger amount as is necessary) of the next succeeding six month interest installment to become due on the Prior Bonds, plus
- (b) A sum equal to one-twelfth of the principal of any Prior Bonds maturing on the next succeeding January 1.

After the expiration of the month in which interest on the Current Bonds is last payable out of the sum set aside into the Sinking Fund as capitalized interest, the deposits required by subsections (a) and (b) above shall be superseded, and thenceforth and thereafter, there shall be transferred in each month 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 all of the outstanding Prior Bonds and Current Bonds (and any other parity bonds), a sum equal to the total of the following:

- (1) An amount equal to one-sixth (or such larger amount as is necessary) of the next succeeding six month interest installment to become due on all of the Bonds then outstanding against the System (including the Prior Bonds, the Current Bonds, and any other outstanding Parity Bonds), plus

- (2) A sum equal to one-twelfth (or such larger amount as is necessary) of the principal of any Bonds (Prior Bonds, Current Bonds, and any other Parity Bonds then outstanding) maturing on the next succeeding January 1.

If the District for any reason shall fail to make any monthly deposit(s) 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 month(s), which amount shall be in addition to the monthly deposit otherwise required during such succeeding month(s). 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 any of the outstanding Prior Bonds and Current Bonds and additional parity bonds, as same fall due, such excess may be used for redemption or prepayment of any of such Bonds prior to maturity, as set forth in Section 205 hereof and as provided in the Prior Bond Resolution.

B. District to Make Principal and Interest Payments on Prior Bonds and Current Bonds on a Monthly Basis, if Requested by the FmHA, so Long as FmHA Owns or Insures all of the Prior Bonds and Current Bonds, or any Bonds of Either Issue.

So long as all of the Prior Bonds and Current Bonds, or any bonds of either issue, are held or insured by the FmHA, the District shall, if requested by the FmHA, make payments of amounts equal to the total of the payments required by subsections (1) and (2) of the preceding Section 403, being the total of the monthly principal and interest requirements of the Prior Bonds and Current Bonds, or of either issue, in monthly payments to the FmHA or to the insured owner of the Prior Bonds and Current Bonds, or to the insured owner of all of the Bonds of either issue, out of the Sinking Fund; provided further that at the option of any other owner of all of the Prior Bonds and Current Bonds, or of either issue, such payments shall similarly be made in monthly payments to such owner.

C. Adjustment in Depreciation Fund Deposits.

It is hereby further recognized that in and by Section 6B of the Prior Bond Resolution, provision was made for the accumulation of a "Depreciation Fund," and it was provided that from the balance of the funds remaining after the current Sinking Fund deposit requirements are satisfied, there shall be set aside and paid in each month, as the next payment from the Revenue Fund, the sum of \$100 in each month, until there has been accumulated in such Depreciation Fund the sum of \$12,000, after which no further deposits are required (by the Prior Bond Resolution) to be made into such Fund except to replace withdrawals.

Although the Prior Bond Resolution did not require that any increase or other 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 it is deemed advisable and accordingly it is hereby ordered, that upon the issuance

of the Current Bonds, and upon completion of the Construction Project, as certified by the Engineers and by the FmHA, the sum of \$403 (increased from \$100) each month shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of \$48,360 (increased from \$12,000), which amount shall be maintained, and when necessary, restored to said sum of \$48,360, so long as any of the Prior Bonds and/or Current Bonds are outstanding and unpaid.

In accordance with the provisions of Section 6B of the Prior Bond Resolution, and as further security for the bondholders 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/or 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. The term "cash income and revenues" of the System, as used in Section 402 hereof, means all proceeds of water service rates and charges, and does not include any of the other cash items enumerated in this paragraph.

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/or 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 Prior Bonds and/or Current Bonds if the moneys on deposit in the Sinking Fund are not sufficient to make such payments.

All funds in the Sinking Fund and in the Depreciation Fund shall be deposited in the Depository Bank, or such portion of said amounts on deposit in said respective Funds as is designated by the Commission, shall be invested for the benefit of such respective Funds in Certificates of Time Deposits 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 meeting interest and/or principal payments, to mature or be called, 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 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 KRS 66.480. Investments in Certificates of Time Deposit may be made only if a separate FmHA Form 402-4 Agreement is executed, if the FmHA has purchased any of the Bonds. 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 Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

D. Operation and Maintenance Fund.

There shall next be transferred monthly from the Revenue Fund, as and when revenues of the System are available in said Revenue Fund, and deposited into the Operation and Maintenance Fund created in Section 6C of the Prior Bond Resolution, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Fund shall not be in excess of the amount required to cover anticipated expenditures for a two-month period pursuant to the annual budget.

E. Excess Funds.

Subject to the provisions for the disposition of the income and revenues of the System in subsections A, C, and D above, 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, to the Sinking Fund, the balance of excess funds in the Revenue Fund on such date, to be applied to the maximum extent feasible, to the prompt purchase or redemption of outstanding Prior Bonds, Current Bonds, and/or any additional Parity Bonds.

ARTICLE 5.

COVENANTS OF DISTRICT TO BONDOWNERS.

So long as any of the Current Bonds are outstanding and unpaid, the District covenants as follows:

Section 501. Rates and Charges.

The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into account and consideration the cost and value of the System (including all extensions, additions, and improvements thereto), the cost of maintaining, repairing, and operating the same, and the amounts necessary for the payment of principal of and interest on all bonds outstanding against the System, and there shall be charged such rates and charges as shall be adequate to meet the requirements of this and ARTICLE 4 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, as defined herein, that the annual net revenues (defined as gross revenues less current 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.

If and to the extent not now fully required by the Prior Bond Resolution, the District shall install and maintain proper records and accounts relating to the operation of the System and its financial affairs; and the owners of any of the Prior Bonds or of the Current Bonds, 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 on a fiscal year basis shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than sixty days after the close of each fiscal year, copies of such audit reports certified by such Accountant shall be promptly mailed to the Government without request, so long as the Government is the owner of any of the Current Bonds, and to any bondowner that may have made a written request for same. Monthly operating reports shall be furnished to the FmHA and to any bondowner requesting same, whenever and so long as the District is delinquent in any of the covenants set out herein. Quarterly operating reports shall be furnished to such parties at all other times.

Section 503. System to Continue to be Operated on Fiscal Year Basis.

While any of the Prior Bonds, the Current Bonds, and any parity bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall continue to be operated and maintained on a fiscal year basis commencing on July 1 of each year and ending on June 30 of the succeeding year, which period shall also constitute the budget year (the "fiscal year") for the operation and maintenance of the System. Not later than 60 days after the beginning of each fiscal year, beginning immediately after the issuance of the Current Bonds, the District and the Commission agree to cause to be prepared a detailed statement of income and expenditures for the past year, a current financial statement and a "Proposed Annual Budget of Current Expenses" of the System for the then ensuing fiscal year, itemized on the basis of monthly requirements. A copy of said "Proposed Annual Budget of Current Expenses" shall be mailed to any bondowner who may request in writing a copy of such Budget, and to the Government without request if the Government is the holder of any of the Current Bonds.

Current expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining, and insuring the System, but shall exclude depreciation, payments into the Sinking Fund, the Reserve Fund, and the Depreciation Fund. The District covenants that the Current 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 Current Expenses in the Annual Budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System. At the same time and in like manner, 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 Current Expenses, the District shall revise the rates and charges sufficiently to provide the funds required.

If the owners of at least 50% in amount of the outstanding Prior Bonds and Current Bonds, or the Government so long as it is the holder of any of said Bonds, so request, the Commission shall hold an open hearing not later than thirty 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 15 days prior to the hearing to each registered bondowner and to the Government.

The District and its Commission covenant that annually before the first day of July, the annual budget of current expenses for the then current fiscal year will be adopted substantially in accordance with the preliminary or proposed annual 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 Current 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 in amount of the outstanding Current Bonds plus all of the outstanding Prior 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/or improvements that may be made thereto, until all of the Prior Bonds and all of the Current Bonds shall have been paid or provided for in full, as provided herein, subject to the provisions of Section 605 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 to pay the interest on and principal of the Prior Bonds, the Current Bonds, and any additional Parity Bonds, as same become due, to pay the cost of operating and maintaining the System, and 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 holder of any of the 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 FmHA Holds Any Bonds; Loan Resolution.

So long as the FmHA shall hold any of the Current Bonds, the District shall comply with such FmHA regulations, requirements, and requests as shall be made by the FmHA, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the FmHA, the carrying of insurance of such types and in such amounts as the FmHA may specify, with insurance carriers acceptable to the FmHA, and compliance with all of the terms and conditions of the Loan Resolution (FmHA Form 442-47) adopted and executed by the District, which is hereby authorized, approved, ratified, and confirmed.

Section 506. Insurance on Motors, Tanks, and Structures.

If and to the extent not now fully required by the Prior Bond Resolution, the District shall (a) immediately after the adoption of this Resolution, and (b) at the time of final acceptance of the Construction Project from the contractor(s), insure all electric motors, elevated water storage tanks, pumping stations, and major structures of the System, in an amount recommended by the District's Engineers and approved by the FmHA, so long as the FmHA is the holder of any of the Current Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the District's Engineers, without the necessity of approval by the FmHA if and whenever the District has bonds outstanding against the System and none of such bonds are owned by the FmHA.

ARTICLE 6.

INFERIOR BONDS AND PARITY BONDS; CONSENT OF FmHA
REQUIRED IF FmHA PURCHASES CURRENT BONDS.

Section 601. Inferior Bonds.

Except as provided below in this Section, the District shall not, so long as any of the Prior Bonds and/or Current Bonds (and any bonds ranking on a parity) 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 is/are made inferior and subordinate in all respects to the security of the Current Bonds and any Parity Bonds.

The District expressly reserves the right at any time or times to issue its bonds or other obligations payable from the revenues of the System and not ranking on a basis of equality with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the FmHA must be obtained prior to the issuance of any inferior bonds so long as the FmHA holds any of the Prior Bonds, the Current Bonds, or any Parity Bonds, and provided further that (after the initial completion of the Construction Project) such inferior bonds may be issued only for the purpose of providing for future extensions, additions, and/or 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 Prior Bonds, the Current Bonds, and any Parity Bonds; provided further, that nothing in this section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding of the Prior Bonds, the Current Bonds, and any other Parity Bonds.

Section 602. Parity Bonds to Complete the Construction Project.

The District hereby certifies, covenants, and agrees that in the event that the cost of completion of the construction of the Construction Project, as hereinbefore described, 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 additional Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Construction Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

- (a) consent of the Government (the FmHA), and
- (b) the consent of (1) the FmHA if it is the purchaser of the Current Bonds, or (2) the owners of at least seventy-five percent (75%) in principal amount of the Current Bonds if the Current Bonds have been issued, sold, and delivered and are held by owners other than the FmHA.

Section 603. Parity Bonds to Finance Future Extensions, Additions, and/or Improvements; Conditions or Showings Required.

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

(a) The facility or facilities to be constructed from the proceeds of the additional Parity Bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional Parity Bonds and for the outstanding Prior Bonds and Current Bonds.

(b) The District is in compliance with all covenants and undertakings in connection with all of the bonds then outstanding and payable from the revenues of the System or any part thereof.

(c) The annual net revenues (defined as gross revenues less essential operation and maintenance 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 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, including such requirements of the Prior Bonds, the Current Bonds, any Parity Bonds then outstanding, 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 bonds to be issued shall, regardless of whether such additional 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 schedule of rates or charges being imposed at 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/or 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, as defined herein.

(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 FmHA for the issuance of such Parity Bonds, if the FmHA is the owner of any of the Prior Bonds or any of the Current Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the owners of three-fourths in amount of the then outstanding Current Bonds and any other Parity Bonds. Provided that if the District obtains the written consent of the owners of all Current Bonds and of all Parity Bonds outstanding against the System, no other prerequisite need be complied with by the District in order to issue Parity Bonds.

(f) Reference is made to Section 606 hereof as to the necessity of obtaining the written consent of the FmHA for the issuance of future bonds encumbering the System while the FmHA owns any bonds payable from the Revenues of the System.

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 additional Parity Bonds are issued, the District shall:

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

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

(c) Make such additional 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 (Conditions) Applicable to Parity Bonds.

If, in connection with any subsequently issued series of bonds secured by a parity lien on the revenues of the System, it is provided that excess revenues in the Revenue Fund shall be used to prepay 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 that no such prepayment will be effected without the approval of the FmHA.

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ARTICLE 7.

DEFAULT, 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 Current Bonds or the Prior 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 Current Bonds or the Prior Bonds when the same shall become due and payable or within 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 Current Bonds, the Prior Bonds, 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 60 days after entry.

Section 702. Consequences of Act 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 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 Prior Bonds and the Current 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 holder or owner of any of the Prior Bonds or the Current Bonds may require the governing body of the District by injunction to raise the rates a reasonable amount, consistent with the requirements of this Resolution.

ARTICLE 8.

CONTRACTUAL PROVISIONS; GRANT APPROVAL;
AND MISCELLANEOUS PROVISIONS

Section 801. This 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 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 governing body of the District 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; and provided further, that the owners of eighty percent (80%) 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 Prior Bonds and Current Bonds without similarly affecting the rights of all owners of such Bonds (and any Parity Bonds) then outstanding, 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 FmHA so long as the FmHA 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 Held by Government Whenever Same is 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 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 with such loan.

Also, 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 FmHA Grant Agreement.

As set out in Section 105 hereof, the FmHA has agreed to make a grant to the District in the amount of \$250,000 to supplement the proceeds of the Current Bonds in order to provide the total cost of the Construction Project, and in that connection the FmHA has requested the District to approve, accept, and execute a certain Grant Agreement setting out the terms and conditions upon which said grant will be made. Said Grant Agreement (FmHA Form 1942-31) is hereby approved, and the Chairman and the Secretary are authorized to execute said 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 grants offered to the District in connection with the Construction Project and to execute any and all Grant Agreements and any other documents as may be requested by such agency in connection with grant(s) which have been and/or which may hereafter be approved for such Project, and/or any other agency which approves a grant to the District, with reference thereto.

Section 805. Alternate Statutory Authority.

If it shall ever be held that the District did not have the authority to issue said Bonds and/or to construct the Construction Project under the provisions of Chapter 106, then this Resolution shall be deemed to have been authorized under the provisions of KRS 74.370 and KRS 96.350 through 96.510, inclusive, with said Bonds being secured by a statutory mortgage lien as provided in KRS 96.400.

Section 806. Authorization, Ratification, and Confirmation of Approval and Execution of Various Documents, including Legal Services Agreements of Bond Counsel and Local Counsel; Agreement for Engineering Services; Letter of Intent to Meet Conditions of Letter of Conditions of FmHA; and Loan Resolution.

The Board of Commissioners of the District 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 the firm of Rubin & Hays as Bond Counsel.
- (b) Legal Services Agreement with the firm of Stanley and Bertram as Local Counsel.

- (c) Letter of Intent to Meet Conditions of FmHA Letter of Conditions (FmHA Form 442-46).
- (d) Loan Resolution (FmHA Form 442-47).
- (e) Agreement for Engineering Services with Kenco Associates, Inc., as Engineers for the Project.

Section 807. Authorization of Condemnation to Acquire Easements and/or Sites.

In the event that (a) any necessary deeds of easement to allow water line construction over the property of any property owner or (b) any necessary deed to the necessary site of any water facility of the Project shall not be obtained through negotiation within 10 days after the date of adoption of this Resolution and in the event that (1) such water lines cannot be located within the right-of-way of the State and/or County road involved, and/or (2) such water facilities cannot be located on a site already owned by the District, Local Counsel employed by the District 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 this 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 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 (proceeds of Bonds, grant, and other funds) allocated to the costs of the Project to pay any judgment, award, or compromise, determined by Local Counsel with the acquiescence of this 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 FmHA; and this Commission further determines that if and to whatever extent the funds available from the proceeds of the Bonds, grant, and other supplemental funds, 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 FmHA for any such payment, this Commission shall make such additional amount available from all other available District resources.

ARTICLE 9.

SALE OF BONDS.

Section 901. Sale of 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 Rubin & Hays, Municipal Bond Attorneys, Louisville, Kentucky, and a suggested form of Statement of Essential Facts having been prepared in advance by Kenco Associates, Inc., Ashland, Kentucky, 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 Current Bonds, 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 until after January 1, 1988 (or after January 1, 1989), 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 "Garrison-Quincy-KY-0-Heights Water District Waterworks Revenue Bonds of 1988" (or "Bonds of 1989"), with maturities, the applicable prepayment date, and all other dates being adjusted accordingly.

ARTICLE 10.

CONCLUDING PROVISIONS

Section 1001. Covenant 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 Current Bonds that such Bonds shall continue to be legal and that interest thereon will continue to be exempt from all Federal and Kentucky income taxation, the District covenants to and with the owners of the Bonds to take the following action:

(a) The District hereby designates the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and the District hereby certifies that it does not reasonably anticipate that the total principal amount of qualified tax-exempt obligations which the District, or any subordinate entity of the District, will issue during the calendar year in which the Bonds are issued, will exceed \$10,000,000.

(b) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148(f)(4)(C) of the Code, and in the event it is determined by the District, upon the advice of nationally recognized Bond Counsel, that the Construction Fund, or any other Fund established hereunder, 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 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 United States 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.

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. If part hereof is invalid, the remainder shall continue in effect. The District covenants to repeat any required procedure previously taken invalidly.

Section 1004. Effective Ten Days From Adoption.

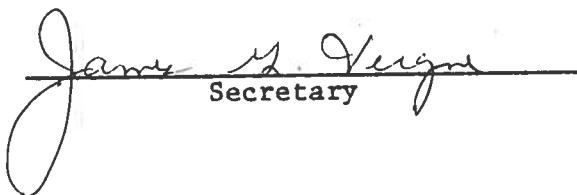
This Resolution shall take effect and be effective ten days after its adoption in order to enable Notice of the adoption hereof to be published pursuant to KRS 106.250.

Adopted this April 22, 1987.

(Seal of District)


Chairman

Attest:


Secretary

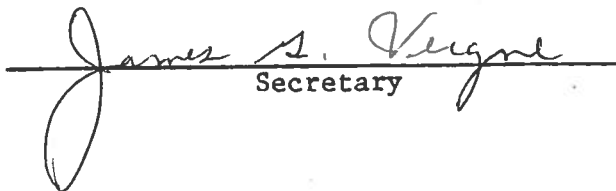
CERTIFICATION

I, JAMES G. VERGNE, hereby certify that I am the duly qualified and acting Secretary of the Garrison-Quincy-KY-0-Heights Water District of Lewis 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 April 22, 1987, 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 April 22, 1987.

(Seal of District)


Secretary

Attachment No. 8b

BOND RESOLUTION

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

AUTHORIZING

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 1996

IN THE AMOUNT OF

\$295,000

TABLE OF CONTENTS

ARTICLE 1.	DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.	3
Section 101.	Definitions	3
Section 102.	Purpose	6
Section 103.	Construction Award Approved; Work Authorized	6
Section 104.	Declaration of Period of Usefulness	7
Section 105.	Authorization of Bonds	7
Section 106.	Recognition of Prior Bonds	7
Section 107.	Current Bonds Shall be Payable on Out of Gross Revenues	8
Section 108.	Lien on Contracts	8
ARTICLE 2.	THE BONDS; BOND FORM; PREPAYMENT.	9
Section 201.	Principal Payments	9
Section 202.	Issuance of Current Bonds; Bond Form	9
Section 203.	Place of Payment and Manner of Execution	9
Section 204.	Provisions as to Prepayment	9
ARTICLE 3.	CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.	10
Section 301.	Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits	10
A.	Covenants Applicable if RECD Purchases Current Bonds	10
B.	Application of Proceeds of Current Bonds	10
Section 302.	Interim Financing Authorization	12
A.	Interim Financing	13
B.	Multiple Advances by RECD	14
Section 303.	Arbitrage Limitations on Investment of Proceeds	14
ARTICLE 4.	FLOW OF FUNDS	16
Section 401.	Funds	16
Section 402.	Flow of Funds	16
A.	Revenue Fund	16
B.	Sinking Fund	16
C.	Depreciation Fund	17

D.	Operation and Maintenance Fund	18
E.	Monthly Principal and Interest Payments if Requested by the RECD	18
F.	Surplus Funds	18
G.	Investment and Miscellaneous Provisions	18
Section 403.	Current Bonds on a Parity with Prior Bonds	19
ARTICLE 5.	COVENANTS OF DISTRICT	20
Section 501.	Rates and Charges	20
Section 502.	Books and Accounts; Audit	20
Section 503.	System to Continue to be Operated on Fiscal Year Basis; Annual Budget	20
Section 504.	General Covenants	21
Section 505.	Other Covenants Applicable So Long as RECD Owns Any Bonds	22
Section 506.	Insurance on Motors, Tanks and Structures	22
ARTICLE 6.	INFERIOR BONDS AND PARITY BONDS	23
Section 601.	Inferior Bonds	23
Section 602.	Parity Bonds to Complete the Project	23
Section 603.	Parity Bonds to Finance Future Improvements	23
Section 604.	Covenants to be Complied with at Time of Issuance of Parity Bonds	24
Section 605.	Prepayment Provisions Applicable to Parity Bonds	25
Section 606.	Consent of the RECD Regarding Future Bonds	25
Section 607.	Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities	25
ARTICLE 7.	DEFAULT AND CONSEQUENCES	27
Section 701.	Events of Default	27
Section 702.	Consequences of Event of Default	27
ARTICLE 8.	CONTRACTUAL PROVISIONS; GRANT APPROVAL; MISCELLANEOUS PROVISIONS.	28
Section 801.	Resolution Contractual with Bondowners	28
Section 802.	All Current Bonds are Equal	28
Section 803.	District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited	28
Section 804.	Approval and Acceptance of RECD Grant Agreement	29
Section 805.	Approval and Acceptance of ARC Grant Agreement	29
Section 806.	Authorization, Ratification and Confirmation of Approval and Execution of Various Documents	29

Section 807.	Authorization of Condemnation to Acquire Easements and/or Sites	31
ARTICLE 9.	SALE OF CURRENT BONDS	31
Section 901.	Sale of Current Bonds	31
Section 902.	Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed	31
ARTICLE 10.	CONCLUDING PROVISIONS	32
Section 1001.	Covenant of District to Take All Necessary Action To Assure Compliance with the Code	32
Section 1002.	Severability Clause	33
Section 1003.	All Provisions in Conflict Repealed	33
Section 1004.	Effective Immediately Upon Adoption	33
EXHIBIT A - Schedule of Principal Payments		
EXHIBIT B - Form of Fully Registered Bond		
EXHIBIT C - Requisition Certificate		

BOND RESOLUTION

RESOLUTION OF THE GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT OF LEWIS COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$295,000 PRINCIPAL AMOUNT OF GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1996 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 Garrison-Quincy-Ky-O-Heights 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 \$295,000 (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 Haworth, Meyer & Boleyn, 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 \$515,000, and by connection charges in the amount of at least \$49,000, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT OF LEWIS 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.

"Bonds of 1966" or "Series 1966 Bonds" refer to the outstanding Garrison-Quincy-Ky-O-Heights Water District Waterworks System Revenue Bonds, dated November 15, 1966, in the original authorized principal amount of \$240,000.

"Bonds of 1987" or "Series 1987 Bonds" refer to the outstanding Garrison-Quincy-Ky-O-Heights Water District Waterworks Revenue Bonds of 1987, dated February 23, 1988, in the original authorized principal amount of \$300,000.

"Bond Resolution of 1966" or "1966 Bond Resolution" refer to the Resolution authorizing the Bonds of 1966, duly adopted by the Board of Commissioners of the District on February 8, 1966.

"Bond Resolution of 1987" or "1987 Bond Resolution" refer to the Resolution authorizing the Bonds of 1987, duly adopted by the Board of Commissioners of the District on April 22, 1987.

"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 Garrison-Quincy-Ky-O-Heights Water District 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 \$295,000 of Garrison-Quincy-Ky-O-Heights Water District Waterworks Revenue Bonds, Series 1996 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 Citizens Deposit Bank & Trust, Garrison, Kentucky, or its successor.

"*Depreciation Fund*" refers to the Garrison-Quincy-Ky-O-Heights Water District Depreciation Fund, described in Section 402 of this Resolution.

"*District*" refers to the Garrison-Quincy-Ky-O-Heights Water District of Lewis 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 Haworth, Meyer & Boleyn, 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.

"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 Stanley and Bertram, P.S.C., Vanceburg, 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 Garrison-Quincy-Ky-O-Heights Water District 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 collectively to the Series 1966 Bonds and the Series 1987 Bonds.

"Prior Bond Resolution" refers collectively to the 1966 Bond Resolution and the 1987 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.

"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 Garrison-Quincy-Ky-O-Heights Water District Water 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 Garrison-Quincy-Ky-O-Heights Water District Waterworks Bond and Interest 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 \$859,000. 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 \$295,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$859,000
Less:		
RECD Grant	\$290,000	
ARC Grant	225,000	
Connection Charges	<u>49,000</u>	
Total Non-Bond Funds:		<u>(\$64,000)</u>
Balance to be financed by Current Bonds		\$295,000

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 \$295,000 principal amount of Garrison-Quincy-Ky-O-Heights Water District Waterworks Revenue Bonds, Series 1996.

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, 2005, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2006, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2005, 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 \$49,000 (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 \$49,000, 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 "Garrison-Quincy-Ky-O-Heights Water District 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 \$49,000 (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 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 \$10,000) 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 \$295,000 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 \$295,000. 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 \$295,000 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) Garrison-Quincy-Ky-O-Heights Water District Water Revenue Fund
- (b) Garrison-Quincy-Ky-O-Heights Water District Waterworks Bond and Interest Sinking Fund
- (c) Garrison-Quincy-Ky-O-Heights Water District Depreciation Fund
- (d) Garrison-Quincy-Ky-O-Heights Water District 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 \$10,000) 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 \$543 (increased from \$403) each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$61,160 (increased from \$48,360), which amount shall be maintained, and when necessary, restored to said sum of \$61,160, 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.

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. 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 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 \$295,000 of Garrison-Quincy-Ky-O-Heights Water District Waterworks Revenue Bonds, Series 1996 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; 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 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 \$290,000 (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 \$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 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 5, 1996.

GARRISON-QUINCY-KY-O-HEIGHTS
WATER DISTRICT


Chairman

(Seal of District)

Attest:


Secretary

CERTIFICATION

I, Richard Christy, hereby certify that I am the duly qualified and acting Secretary of the Garrison-Quincy-Ky-O-Heights Water District of Lewis 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 5, 1996, 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 5, 1996.


Secretary

(Seal of District)

EXHIBIT A

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>
1999	3,000	2019	7,500
2000	3,000	2020	7,500
2001	3,500	2021	8,000
2002	3,500	2022	8,500
2003	3,500	2023	8,500
2004	4,000	2024	9,500
2005	4,000	2025	9,500
2006	4,000	2026	10,000
2007	4,500	2027	10,500
2008	4,500	2028	11,000
2009	5,000	2029	11,500
2010	5,000	2030	12,000
2011	5,000	2031	12,500
2012	5,500	2032	13,000
2013	5,500	2033	14,000
2014	6,000	2034	15,000
2015	6,000	2035	15,500
2016	6,500	2036	15,500
2017	6,500		
2018	7,000		

Attachment No. 8c

BOND RESOLUTION

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

AUTHORIZING

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT WATERWORKS
REVENUE BONDS, SERIES 2002

IN THE AMOUNT OF

\$356,000

TABLE OF CONTENTS

ARTICLE 1.	DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.	3
Section 101.	Definitions	3
Section 102.	Purpose	6
Section 103.	Construction Award Approved; Work Authorized	6
Section 104.	Declaration of Period of Usefulness	7
Section 105.	Authorization of Bonds	7
Section 106.	Recognition of Prior Bonds	7
Section 107.	Current Bonds Shall be Payable on Out of Gross Revenues	8
Section 108.	Lien on Contracts	8
ARTICLE 2.	THE BONDS; BOND FORM; PREPAYMENT.	9
Section 201.	Principal Payments	9
Section 202.	Issuance of Current Bonds; Bond Form	9
Section 203.	Place of Payment and Manner of Execution	9
Section 204.	Provisions as to Prepayment	9
ARTICLE 3.	CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.	10
Section 301.	Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits	10
A.	Covenants Applicable if RD Purchases Current Bonds	10
B.	Application of Proceeds of Current Bonds	10
Section 302.	Interim Financing Authorization	12
A.	Interim Financing	12
B.	Multiple Advances by RD	14
Section 303.	Arbitrage Limitations on Investment of Proceeds	14
ARTICLE 4.	FLOW OF FUNDS	16
Section 401.	Funds	16
Section 402.	Flow of Funds	16

A.	Revenue Fund	16
B.	Sinking Fund	16
C.	Depreciation Fund	17
D.	Operation and Maintenance Fund	17
E.	Monthly Principal and Interest Payments if Requested by the RD	18
F.	Surplus Funds	18
G.	Investment and Miscellaneous Provisions	18
Section 403.	Current Bonds on a Parity with Prior Bonds	19
ARTICLE 5.	COVENANTS OF DISTRICT	20
Section 501.	Rates and Charges	20
Section 502.	Books and Accounts; Audit	20
Section 503.	System to Continue to be Operated on Fiscal Year Basis; Annual Budget	20
Section 504.	General Covenants	21
Section 505.	Other Covenants Applicable So Long as RD Owns Any Bonds	22
Section 506.	Insurance on Motors, Tanks and Structures	22
ARTICLE 6.	INFERIOR BONDS AND PARITY BONDS	23
Section 601.	Inferior Bonds	23
Section 602.	Parity Bonds to Complete the Project	23
Section 603.	Parity Bonds to Finance Future Improvements	23
Section 604.	Covenants to be Complied with at Time of Issuance of Parity Bonds	24
Section 605.	Prepayment Provisions Applicable to Parity Bonds	25
Section 606.	Consent of the RD Regarding Future Bonds	25
Section 607.	Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities	25
ARTICLE 7.	DEFAULT AND CONSEQUENCES	27
Section 701.	Events of Default	27
Section 702.	Consequences of Event of Default	27
ARTICLE 8.	CONTRACTUAL PROVISIONS; GRANT APPROVAL; MISCELLANEOUS PROVISIONS.	28
Section 801.	Resolution Contractual with Bondowners	28

Section 802.	All Current Bonds are Equal	28
Section 803.	District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited	28
Section 804.	Approval and Acceptance of RD Grant Agreement	29
Section 805.	Approval and Acceptance of ARC Grant Agreement	29
Section 806.	Authorization, Ratification and Confirmation of Approval and Execution of Various Documents	29
Section 807.	Authorization of Condemnation to Acquire Easements and/or Sites	29
Section 808.	Authorization to File Required Financing Statements	30
ARTICLE 9.	SALE OF CURRENT BONDS	31
Section 901.	Sale of Current Bonds	31
Section 902.	Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed	31
ARTICLE 10.	CONCLUDING PROVISIONS	32
Section 1001.	Covenant of District to Take All Necessary Action To Assure Compliance with the Code	32
Section 1002.	Severability Clause	33
Section 1003.	All Provisions in Conflict Repealed	33
Section 1004.	Effective Immediately Upon Adoption	33
EXHIBIT A -	Schedule of Principal Payments	
EXHIBIT B -	Form of Fully Registered Bond	
EXHIBIT C -	Requisition Certificate	

BOND RESOLUTION

RESOLUTION OF THE GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT OF LEWIS COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$356,000 PRINCIPAL AMOUNT OF GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2002 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 Garrison-Quincy-KY-O-Heights 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 \$356,000 (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 Haworth, Meyer & Boleyn, 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 \$640,000, and by connection charges in the amount of at least \$41,000, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT OF LEWIS 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 1966" or "Series 1966 Bonds" refer to the outstanding Garrison-Quincy-KY-O-Heights Water District Waterworks System Revenue Bonds, dated November 15, 1966, in the original authorized principal amount of \$240,000.

"Bonds of 1987" or "Series 1987 Bonds" refer to the outstanding Garrison-Quincy-KY-O-Heights Water District Waterworks Revenue Bonds of 1987, Series A and B, dated February 23, 1988, in the original authorized principal amount of \$300,000.

"Bonds of 1996" or "Series 1996 Bonds" refer to the outstanding Garrison-Quincy-KY-O-Heights Water District Waterworks Revenue Bonds, Series 1996, dated November 13, 1996, in the original authorized principal amount of \$295,000.

"Bond Resolution of 1966" or "1966 Bond Resolution" refer to the Resolution authorizing the Bonds of 1966, duly adopted by the Board of Commissioners of the District on February 8, 1966.

"Bond Resolution of 1987" or "1987 Bond Resolution" refer to the Resolution authorizing the Bonds of 1987, duly adopted by the Board of Commissioners of the District on April 22, 1987.

"Bond Resolution of 1996" or "1996 Bond Resolution" refer to the Resolution authorizing the Bonds of 1996, duly adopted by the Board of Commissioners of the District on August 5, 1996.

"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 Garrison-Quincy-KY-O-Heights Water District 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 \$356,000 of Garrison-Quincy-KY-O-Heights Water District Waterworks Revenue Bonds, Series 2002 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 Citizens Deposit Bank, Garrison, Kentucky, or its successor.

"Depreciation Fund" refers to the Garrison-Quincy-KY-O-Heights Water District Waterworks Depreciation Fund, described in Section 402 of this Resolution.

"District" refers to the Garrison-Quincy-KY-O-Heights Water District of Lewis 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 Haworth, Meyer & Boleyn, 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 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.

"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 Stanley & Bertram, PSC, Vanceburg, 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 Garrison-Quincy-KY-O-Heights 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 1966 Bonds, the Series 1987 Bonds and the Series 1996 Bonds.

"Prior Bond Resolution" refers collectively to the 1966 Bond Resolution, the 1987 Bond Resolution and the 1996 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 Garrison-Quincy-KY-O-Heights Water District 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 Garrison-Quincy-KY-O-Heights Water District Waterworks Bond and Interest 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 \$1,037,000. 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 \$356,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$1,037,000
Less:		
RD Grant	\$415,000	
ARC Grant	225,000	
Connection Charges	<u>41,000</u>	
Total Non-Bond Funds:		<u>(681,000)</u>
Balance to be financed by Current Bonds		\$356,000

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 \$356,000 principal amount of Garrison-Quincy-KY-O-Heights Water District Waterworks Revenue Bonds, Series 2002.

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, 2012, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2012, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2011, 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 \$68,000 (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 \$68,000, 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 "Garrison-Quincy-KY-O-Heights Water District 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 \$41,000 (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 \$10,000) 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 \$356,000 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 \$356,000. 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 \$356,000 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) Garrison-Quincy-KY-O-Heights Water District Revenue Fund
- (b) Garrison-Quincy-KY-O-Heights Water District Waterworks Bond and Interest Sinking Fund
- (c) Garrison-Quincy-KY-O-Heights Water District Waterworks Depreciation Fund
- (d) Garrison-Quincy-KY-O-Heights 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. 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 \$10,000) 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 \$165 each month which shall be deposited into the Depreciation Fund until the Current Bonds are paid in full. These deposits are in addition to the requirements of the Prior Bond Ordinance.

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 \$356,000 of Garrison-Quincy-KY-O-Heights Water District Waterworks Revenue Bonds, Series 2002 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 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 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;

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 \$415,000 (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 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 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 June 3, 2002.



(Seal of District)

GARRISON-QUINCY-KY-O-HEIGHTS
WATER DISTRICT

Mary Horsley Barnum
Chairperson

Attest:

B. F. Christy
Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Garrison-Quincy-KY-O-Heights Water District of Lewis 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 Chairperson of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on June 3, 2002, 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 June 3, 2002.


Secretary

(Seal of District)

EXHIBIT A

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>
2005	\$4,000	2024	\$9,000
2006	4,000	2025	9,000
2007	4,000	2026	9,000
2008	4,000	2027	10,000
2009	4,000	2028	10,000
2010	5,000	2029	11,000
2011	5,000	2030	11,000
2012	5,000	2031	12,000
2013	5,000	2032	12,000
2014	6,000	2033	13,000
2015	6,000	2034	13,000
2016	6,000	2035	14,000
2017	6,000	2036	15,000
2018	7,000	2037	15,000
2019	7,000	2038	16,000
2020	7,000	2039	17,000
2021	8,000	2040	17,000
2022	8,000	2041	18,000
2023	8,000	2042	16,000

Attachment No. 8d

ASSISTANCE AGREEMENT

BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY

AND

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

TRANSCRIPT OF PROCEEDINGS

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

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and Garrison-Quincy-KY-O-Heights Water District (the "Governmental Agency"), dated as of April 1, 2015

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

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9592669v1

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Garrison-Quincy-KY-O.Heights Water District (the "Governmental Agency"), dated as of April 1, 2015

GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY

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

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

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

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

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

5. The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

6. There is no controversy or litigation of any nature pending, or to the knowledge of the Governmental Agency after diligent inquiry, threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under the Assistance Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of the Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of the Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of the

Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with the Assistance Agreement.

7. The authorization and delivery of the Assistance Agreement and the consummation of the transactions contemplated thereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

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

9. The Governmental Agency has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project and to enter into the Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Governmental Agency Project, and has full right, power and authority to perform the acts and things as provided for in the Assistance Agreement.

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

WITNESS our signatures, this 12 day of May, 2015.

**GOVERNMENTAL AGENCY:
GARRISON-QUINCY-KY-O-HEIGHTS
WATER DISTRICT**

By: Jonathon Bivens
Name: Jonathon Bivens
Title: Chairman

Attest:
By: Karin Collier
Name: KARIN COLLIER
Title: Secretary

9589732v1

COMMONWEALTH OF KENTUCKY
OFFICE OF THE LEWIS COUNTY ATTORNEY
THOMAS M. BERTRAM II

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May 13, 2015

AN EXTENDED COPY OF THE OPINION OF THE DISTRICT'S ATTORNEY

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Garrison-Quincy-KY-O-Heights Water District, dated as of April 1, 2015

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Garrison-Quincy-Ky-O-Heights Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally, I am familiar with the drinking water supply project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement.

Based upon my review I am of the opinion that:

- 1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under The Constitution and statutes of the Commonwealth of Kentucky.
- 2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws

heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

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

9) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours



Thomas M. Bertram II

TMBII/glc

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F13-034

BORROWER: Garrison-Quincy-KY-O-Heights Water District

BORROWER'S ADDRESS: PO Box 279
Garrison, Kentucky 41141

DATE OF ASSISTANCE AGREEMENT: April 1, 2015

CFDA NO.: 66.458

ASSISTANCE AGREEMENT

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT;
REQUISITION FOR FUNDS

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

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY;
PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

SECTION 5.1. Imposition of Service Charges..... 16
SECTION 5.2. Governmental Agency's Obligation to Repay Loan 16
SECTION 5.3. Covenant to Adjust Service Charges 16
SECTION 5.4. Adequacy of Service Charges 16
SECTION 5.5. Covenant to Establish Maintenance and Replacement Reserve 17
SECTION 5.6. Covenant to Charge Sufficient Rates, Reports, Inspections 17
SECTION 5.7. Segregation of Funds 17

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

ARTICLE IX

MISCELLANEOUS PROVISIONS

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

ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency"):

WITNESSETH

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Program as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of Projects, as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize and manage the resources of the Commonwealth of Kentucky (the "Commonwealth") for the protection and preservation of the health, safety, convenience, and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of November 1, 1998, as amended, supplemented or restated from time to time (the "Federal Agreement") under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of February 1, 2000 (the "Indenture") between the Authority and U.S. Bank, National Association, as lawful successor in interest to National City Bank of Kentucky (the "Trustee"), in order to provide the "match funding" for the Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to finance the acquisition and construction of the Project, as hereinafter defined, and the Authority has determined that the Project is a Project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the purpose of securing from the Authority the repayable Loan hereinafter identified; and

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained to repay the Loan and the interest thereon from the sources herein provided, all as hereinafter more specifically provided; and

WHEREAS, the Authority and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the acquisition, construction and financing of the Project and the repayment of the Loan and the interest thereon;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Agency and its Project.

"*Act*" shall mean Chapter 224A of the Kentucky Revised Statutes, as amended.

"*Administrative Fee*" means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Project Specifics.

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

"*Assistance Agreement*" shall mean this agreement made and entered into by and between a Governmental Agency and the Authority, as authorized by the Act, providing for a Loan to the Governmental Agency by the Authority, and for the repayment thereof to the Authority by the Governmental Agency.

"*Authority*" shall mean the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky, or such other designation as may be effected by future amendments to the Act.

"*Bond*" or "*Bonds*" or "*Revenue Bonds*" shall mean any Kentucky Infrastructure Authority Bond or Bonds, or the issue of such Bonds, as the case may be, authenticated and delivered under the Indenture.

"*Business Day*" shall mean any day other than a Saturday, Sunday or other legal holiday on which the general offices of the Commonwealth are closed.

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

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"*Commonwealth*" shall mean the Commonwealth of Kentucky.

"*Construction*" shall mean construction as defined in the Act.

"*Debt Obligations*" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

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

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

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

"Governmental Agency" shall mean any incorporated city or municipal corporation, or other agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate infrastructure projects, including specifically but not by way of limitation, incorporated cities, counties, including any counties containing a metropolitan sewer district, sanitation districts, water districts, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any other agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of the Commonwealth having and possessing such described powers; and for the purposes of this Assistance Agreement shall mean the Governmental Agency identified in the Project Specifics.

"Indenture" shall mean the General Trust Indenture dated as of February 1, 2000 between the Authority and the Trustee.

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

"Loan" shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Project Specifics, for the purpose of defraying the costs incidental to the Construction of the Project.

"Loan Rate" means the rate of interest identified in the Schedule of Payments.

"Person" shall mean any individual, firm, partnership, association, corporation or Governmental Agency.

"Program" shall mean the program authorized by KRS 224A.1115 and the Indenture as the "federally assisted drinking water revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"*Project*" shall mean, when used generally, a Drinking Water Supply Project, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

"*Project Specifics*" means those specific details of the Project identified in Exhibit A hereto, all of which are incorporated by reference in this Assistance Agreement.

"*Requisition for Funds*" means the form attached hereto as Exhibit B to be utilized by the Governmental Agency in obtaining disbursements of the Loan from the Authority as the Construction of the Project progresses.

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

"*Schedule of Payments*" means the principal and interest requirements of the Loan as set forth in Exhibit F hereto, to be established and agreed to upon or prior to the completion of the Project.

"*Schedule of Service Charges*" shall mean those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, and such other revenues identified in Exhibit C hereto from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority prior to the disbursement of any portion of the Loan hereunder.

"*Service Charges*" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the System, which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charges shall be no less than those set forth in the Schedule of Service Charges.

"*System*" shall mean the water system owned and operated by the Governmental Agency of which the Project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Governmental Agency as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and Authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(D) The authorization, execution and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act and the Federal Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of the Governmental Agency. The Governmental Agency hereby represents and warrants for the benefit of the Authority as follows:

(A) The Governmental Agency is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement and consummate the transactions contemplated hereby.

(B) The negotiation, execution and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Agency.

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or

administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to proceed with the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

(F) Attached hereto as Exhibit D is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Governmental Agency approving and authorizing the execution and delivery of this Assistance Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(G) All actions taken by the Governmental Agency in connection with this Assistance Agreement and the Loan described herein and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, KRS 61.805 to 61.850.

(H) The Governmental Agency has all licenses, permits and other governmental approvals (including but not limited to all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate and maintain the Project, to charge and collect the Service Charges and to enter into this Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power and authority to perform the acts and things as provided for in this Assistance Agreement.

(I) Legal counsel to the Governmental Agency has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit E hereto.

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

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

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Drinking Water Supply Project under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics, subject to such adjustments as may be set forth in the Schedule of Payments. Principal payments shall be made semiannually in the amounts and on the dates to be established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the Repayment Term set forth in the Project Specifics, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable semiannually, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; and shall be subject to the further requirements set forth in Article IV hereof.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Prepay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed

as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

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

(B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of the Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by the lump-sum (fixed price) contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Cabinet.

(G) Duly authorized representatives of the Cabinet and such other agencies of the Commonwealth and the United States Government as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the construction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers. Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Cabinet and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers for the Governmental Agency and approved by state and federal agencies.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the Authority and the U.S. Government, respectively, in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority and the Cabinet, acting by and through their duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(S) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(T) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Cabinet, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(U) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority and the Cabinet the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the planning and design of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the planning and design of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the planning and design of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The Contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, and subject to certification by the Cabinet, the Authority may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan.

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the

Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribe, charge and collect the Service Charges set forth in Exhibit C as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of Accounts" established by the Commonwealth, in which complete and accurate entries shall be

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

Section 6.8. Financial Statements. Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity. All recipients and subrecipients expending \$500,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with OMB Circular A-133.

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

Section 6.10. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act, the Federal Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

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

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

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

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

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

(1) Federal Cross-Cutters

Environmental Authorities

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

Economic and Miscellaneous Authorities

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

Social Policy Authorities

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

(2) State:

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

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

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.5. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.6. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.7. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.8. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.9. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.10. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.11. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain;
or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.11, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an

authorized officer of the Governmental Agency to the effect that the Governmental Agency has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments specified herein at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing (other than an event of default arising under Section 6.13 of this Assistance Agreement), the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Schedule of Payments, to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

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

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

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5. Consent to Powers of Authority Under Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

Section 8.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2. Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, without the written consent of the other party.

Section 9.5. Severability. In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.


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

Section 9.9. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:

KENTUCKY INFRASTRUCTURE
AUTHORITY




SECRETARY
Title: _____

By: 

EXECUTIVE DIRECTOR
Title: _____

ATTEST:

GOVERNMENTAL AGENCY:
GARRISON-QUINCY-KY-O-HEIGHTS
WATER DISTRICT

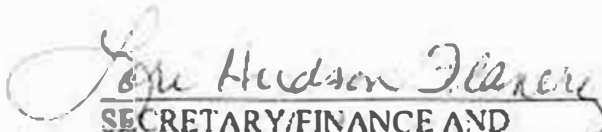


Title: Secretary

By: 

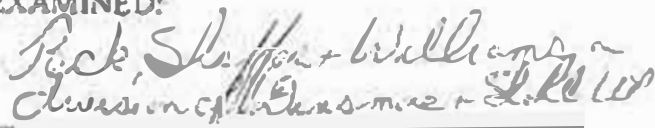
Title: Chairman

APPROVED:




SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:



LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

APPROVED AS TO FORM AND LEGALITY



APPROVED
FINANCE AND ADMINISTRATION CABINET

Attachment No. 8e

BOND RESOLUTION

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

AUTHORIZING

GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT

WATER AND SEWER REVENUE BONDS, SERIES 2010

IN THE PRINCIPAL AMOUNT OF

\$798,000

TABLE OF CONTENTS

ARTICLE 1.	DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.....	3
Section 101.	Definitions.....	3
Section 102.	Purpose.....	7
Section 103.	Construction Award Approved; Work Authorized.....	7
Section 104.	Declaration of Period of Usefulness.....	7
Section 105.	Authorization of Bonds.....	7
Section 106.	Recognition of Prior Bonds.....	8
Section 107.	Current Bonds Shall be Payable on Out of Gross Revenues.....	8
Section 108.	Lien on Contracts.....	8
Section 109.	Election to Issue Current Bonds as Build American Bonds Direct Payment; Covenants Lien on Contracts.....	9
ARTICLE 2.	THE BONDS; BOND FORM; PREPAYMENT.....	10
Section 201.	Principal Payments.....	10
Section 202.	Issuance of Current Bonds; Bond Form.....	10
Section 203.	Place of Payment and Manner of Execution.....	10
Section 204.	Provisions as to Prepayment.....	10
ARTICLE 3.	CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.....	11
Section 301.	Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits.....	11
A.	Covenants Applicable if RD Purchases Current Bonds.....	11
B.	Application of Proceeds of Current Bonds.....	11
Section 302.	Interim Financing Authorization.....	14
A.	Interim Financing.....	14
B.	Multiple Advances by RD.....	15
Section 303.	Arbitrage Limitations on Investment of Proceeds.....	16
ARTICLE 4.	FLOW OF FUNDS.....	17

Section 401.	Funds.	17
Section 402.	Flow of Funds.	17
A.	Revenue Fund.	17
B.	Sinking Fund.	17
C.	Depreciation Fund.	18
D.	Operation and Maintenance Fund.	19
E.	Monthly Principal and Interest Payments if Requested by RD.	19
F.	Surplus Funds.	19
G.	Investment and Miscellaneous Provisions.	19
Section 403.	Current Bonds on a Parity with Prior Bonds.	20
ARTICLE 5.	COVENANTS OF DISTRICT.	21
Section 501.	Rates and Charges.	21
Section 502.	Books and Accounts; Audit.	21
Section 503.	System to Continue to be Operated on Fiscal Year Basis; Annual Budget.	21
Section 504.	General Covenants.	22
Section 505.	Other Covenants Applicable So Long as RD Owns Any Bonds.	23
Section 506.	Insurance on Motors, Tanks and Structures.	24
ARTICLE 6.	INFERIOR BONDS AND PARITY BONDS.	25
Section 601.	Inferior Bonds.	25
Section 602.	Parity Bonds to Complete the Project.	25
Section 603.	Parity Bonds to Finance Future Improvements.	25
Section 604.	Covenants to be Complied with at Time of Issuance of Parity Bonds.	27
Section 605.	Prepayment Provisions Applicable to Parity Bonds.	27
Section 606.	Consent of the RD Regarding Future Bonds.	27
Section 607.	Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities.	27
ARTICLE 7.	DEFAULT AND CONSEQUENCES.	29
Section 701.	Events of Default.	29
Section 702.	Consequences of Event of Default.	29
ARTICLE 8.	CONTRACTUAL PROVISIONS; GRANT APPROVAL; MISCELLANEOUS PROVISIONS.	30

Section 801.	Resolution Contractual with Bondowners.	30
Section 802.	All Current Bonds are Equal.	30
Section 803.	District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited.	30
Section 804.	Approval and Acceptance of RD Grant Agreement.	31
Section 805.	Approval and Acceptance of DHUD Grant Agreement.	31
Section 806.	Authorization, Ratification and Confirmation of Approval and Execution of Various Documents.	31
Section 807.	Authorization of Condemnation to Acquire Easements and/or Sites.	32
ARTICLE 9.	SALE OF CURRENT BONDS.	33
Section 901.	Sale of Current Bonds.	33
Section 902.	Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed.	33
ARTICLE 10.	CONCLUDING PROVISIONS.	34
Section 1001.	Covenant of District to Take All Necessary Action To Assure Compliance with the Code.	34
Section 1002.	Severability Clause.	35
Section 1003.	All Provisions in Conflict Repealed.	35
Section 1004.	Effective Immediately Upon Adoption.	35

EXHIBIT A - Schedule of Principal Payments
EXHIBIT B - Form of Fully Registered Bond
EXHIBIT C - Requisition Certificate

BOND RESOLUTION

RESOLUTION OF THE GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$798,000 PRINCIPAL AMOUNT OF GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT WATER AND SEWER 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 WATER AND SEWER 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 WATER AND SEWER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the water and sewer system (the "System") of the Garrison-Quincy-KY-O-Heights 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 \$798,000 (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 HMB Engineers, 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 \$4,479,500, and by a contribution by the District in the amount of at least \$22,500, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE GARRISON-QUINCY-KY-O-HEIGHTS WATER DISTRICT OF LEWIS 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.

"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 1987" or "Series 1987 Bonds" refer to the outstanding Garrison-Quincy-KY-O-Heights Water District Waterworks Revenue Bonds of 1987, Series A and B, dated February 23, 1988, in the original authorized principal amount of \$300,000.

"Bonds of 1996" or "Series 1996 Bonds" refer to the outstanding Garrison-Quincy-KY-O-Heights Water District Waterworks Revenue Bonds, Series 1996, dated November 13, 1996, in the original authorized principal amount of \$295,000.

"Bonds of 2002" or "Series 2002 Bonds" refer to the outstanding Garrison-Quincy-KY-O-Heights Water District Waterworks Revenue Bonds, Series 2002, dated September 25, 2002, in the original authorized principal amount of \$356,000.

"Bond Resolution of 1987" or "1987 Bond Resolution" refer to the Resolution authorizing the Bonds of 1987, duly adopted by the Board of Commissioners of the District on April 22, 1987.

"Bond Resolution of 1996" or "1996 Bond Resolution" refer to the Resolution authorizing the Bonds of 1996, duly adopted by the Board of Commissioners of the District on August 5, 1996.

"Bond Resolution of 2002" or "2002 Bond Resolution" refer to the Resolution authorizing the Bonds of 2002, duly adopted by the Board of Commissioners of the District on June 3, 2002.

"CDBG Grant" refers to the Community Development Block Grant described in Section 805 of this Resolution.

"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 Garrison-Quincy-KY-O-Heights Water District 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 \$798,000 of Garrison-Quincy-KY-O-Heights Water District Water and Sewer 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 Citizens Deposit Bank, Garrison, Kentucky, or its successor.

"Depreciation Fund" refers to the Garrison-Quincy-KY-O-Heights Water District Waterworks Depreciation Fund, described in Section 402 of this Resolution.

"District" refers to the Garrison-Quincy-KY-O-Heights Water District of Lewis 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 HMB Engineers, 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 KIA Grant and the CDBG Grant.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of water and sewer 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.

"KIA Grant" refers to the Kentucky Infrastructure Authority grant to the District in the amount of \$2,450,000.

"Local Counsel" refers to Stanley & Bertram, PSC, Vanceburg, 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 Garrison-Quincy-KY-O-Heights 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 1987 Bonds, the Series 1996 Bonds and the Series 2002 Bonds.

"Prior Bond Resolution" refers collectively to the 1987 Bond Resolution, the 1996 Bond Resolution and the 2002 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 Garrison-Quincy-KY-O-Heights Water District 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 Garrison-Quincy-KY-O-Heights Water District Waterworks Bond and Interest Sinking Fund, described in Section 401 of this Resolution.

"System" refers to the existing water and sewer 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 \$5,300,000. 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 \$798,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$5,300,000
Less:		
RD Grant	\$ 429,500	
ARC Grant	2,450,000	
CDBG Grant	1,600,000	
Connection Charges	<u>22,500</u>	
Total Non-Bond Funds:		<u>(4,502,000)</u>
Balance to be financed by Current Bonds		\$798,000

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 \$798,000 principal amount of Garrison-Quincy-KY-O-Heights Water District Water and Sewer 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 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.

Section 109. Election to Issue Current Bonds as Build American Bonds - Direct Payment; Covenants. The American Recovery and Reinvestment Act of 2009 (the "Recovery Act") authorizes the District to issue taxable bonds known as "Build America Bonds" to finance capital expenditures for which it could issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds. In accordance with the provisions of the Recovery Act, the District hereby irrevocably elects to have Section 54AA and subsection 54AA(g) of the Code apply to the Current Bonds so that the District will receive a refundable credit under Section 6431 of the Code equal to 35% of the stated interest paid on the Current Bonds.

The District agrees to comply with the requirements of the Code relating to "Build America Bonds", including (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 Current 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 to be used for capital expenditures; (ii) any and all 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 Current Bonds of the same maturity cannot 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 the Current Bonds; and (iv) the District will not use or permit the use of any of the funds provided by the Current Bonds in such a manner as to, or take or omit to take any action which would, impair the status of the Current Bonds as "qualified bonds" under Section 54AA of the Code.

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 \$94,000 (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 \$94,000, 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 "Garrison-Quincy-KY-O-Heights Water District 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 \$22,500 (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 \$60,000) 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 \$798,000 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 \$798,000. 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 \$798,000 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) Garrison-Quincy-KY-O-Heights Water District Revenue Fund
- (b) Garrison-Quincy-KY-O-Heights Water District Sinking Fund
- (c) Garrison-Quincy-KY-O-Heights Water District Depreciation Fund
- (d) Garrison-Quincy-KY-O-Heights Water District Operation 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 \$60,000) 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 \$280 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$33,600, which amount shall be maintained, and when necessary, restored to said sum of \$33,600, 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 \$798,000 of Garrison-Quincy-KY-O-Heights Water District Water and Sewer 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;
- (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 water and sewer 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); and
- (7) It will, pursuant to Section 96.394 of the Kentucky Revised Statutes and other applicable legal provisions, cause rates and charges for sewer services provided by the System to be billed simultaneously with rates and charges for water service furnished to sewer customers by the System, and will provide that water service will be discontinued to any premises where there is a failure to pay any part of the aggregate charges so billed, including such penalties and fees for disconnection and/or reconnection as be prescribed from time to time.

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 water and sewer 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 \$429,500 (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 CDBG Grant Agreement. The Department of Housing and Urban Development (the "HUD") has agreed to make a grant to the District in the amount of \$1,600,000 (the "CDBG Grant"), to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and HUD has requested the District to approve, accept and execute a certain CDBG Grant Agreement (the "CDBG Grant Agreement") setting out the terms and conditions upon which said CDBG Grant will be made. Said CDBG Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said CDBG 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 CDBG Grants offered to the District in connection with the Project and to execute any and all CDBG Grant Agreements and any other documents as may be requested by HUD in connection with CDBG 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 water and sewer 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 water and sewer lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such water and sewer 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.

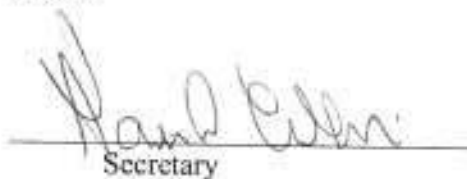
Adopted this May 10, 2010.

Garrison-Quincy-KY-O-Heights 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 Garrison-Quincy-KY-O-Heights Water District, 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 May 10, 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 May 10, 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>
2012	\$12,500	2031	\$20,500
2013	13,000	2032	21,000
2014	13,000	2033	21,500
2015	13,500	2034	22,000
2016	14,000	2035	22,500
2017	14,000	2036	23,500
2018	14,500	2037	24,000
2019	15,000	2038	24,500
2020	15,500	2039	25,000
2021	16,000	2040	26,000
2022	16,000	2041	26,500
2023	16,500	2042	27,000
2024	17,000	2043	28,000
2025	17,500	2044	28,500
2026	18,000	2045	29,500
2027	18,500	2046	30,000
2028	19,000	2047	31,000
2029	19,500	2048	32,000
2030	20,000	2049	32,000

Attachment No. 9

Name:	Garrison-Quincy-KY-O-Heights Water				LOAN NUMBER	91-03
Bond Series		Amount of Bond				Interest Rate
1987 A		\$250,000.00				6.375%
		January	July			
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST	Yearly Total Paid	BALANCE
				Interest Payment Due		\$250,000.00
1990	\$1,000.00	\$7,968.75	\$8,968.75	\$7,936.88	\$16,905.63	\$249,000.00
1991	\$1,000.00	\$7,936.88	\$8,936.88	\$7,905.00	\$16,841.88	\$248,000.00
1992	\$2,000.00	\$7,905.00	\$9,905.00	\$7,841.25	\$17,746.25	\$246,000.00
1993	\$2,000.00	\$7,841.25	\$9,841.25	\$7,777.50	\$17,618.75	\$244,000.00
1994	\$2,000.00	\$7,777.50	\$9,777.50	\$7,713.75	\$17,491.25	\$242,000.00
1995	\$2,000.00	\$7,713.75	\$9,713.75	\$7,650.00	\$17,363.75	\$240,000.00
1996	\$2,000.00	\$7,650.00	\$9,650.00	\$7,586.25	\$17,236.25	\$238,000.00
1997	\$2,000.00	\$7,586.25	\$9,586.25	\$7,522.50	\$17,108.75	\$236,000.00
1998	\$2,000.00	\$7,522.50	\$9,522.50	\$7,458.75	\$16,981.25	\$234,000.00
1999	\$3,000.00	\$7,458.75	\$10,458.75	\$7,363.13	\$17,821.88	\$231,000.00
2000	\$3,000.00	\$7,363.13	\$10,363.13	\$7,267.50	\$17,630.63	\$228,000.00
2001	\$3,000.00	\$7,267.50	\$10,267.50	\$7,171.88	\$17,439.38	\$225,000.00
2002	\$3,000.00	\$7,171.88	\$10,171.88	\$7,076.25	\$17,248.13	\$222,000.00
2003	\$3,000.00	\$7,076.25	\$10,076.25	\$6,980.63	\$17,056.88	\$219,000.00
2004	\$4,000.00	\$6,980.63	\$10,980.63	\$6,853.13	\$17,833.75	\$215,000.00
2005	\$4,000.00	\$6,853.13	\$10,853.13	\$6,725.63	\$17,578.75	\$211,000.00
2006	\$4,000.00	\$6,725.63	\$10,725.63	\$6,598.13	\$17,323.75	\$207,000.00
2007	\$4,000.00	\$6,598.13	\$10,598.13	\$6,470.63	\$17,068.75	\$203,000.00
2008	\$5,000.00	\$6,470.63	\$11,470.63	\$6,311.25	\$17,781.88	\$198,000.00
2009	\$5,000.00	\$6,311.25	\$11,311.25	\$6,151.88	\$17,463.13	\$193,000.00
2010	\$5,000.00	\$6,151.88	\$11,151.88	\$5,992.50	\$17,144.38	\$188,000.00
2011	\$6,000.00	\$5,992.50	\$11,992.50	\$5,801.25	\$17,793.75	\$182,000.00
2012	\$6,000.00	\$5,801.25	\$11,801.25	\$5,610.00	\$17,411.25	\$176,000.00
2013	\$7,000.00	\$5,610.00	\$12,610.00	\$5,386.88	\$17,996.88	\$169,000.00
2014	\$7,000.00	\$5,386.88	\$12,386.88	\$5,163.75	\$17,550.63	\$162,000.00
2015	\$8,000.00	\$5,163.75	\$13,163.75	\$4,908.75	\$18,072.50	\$154,000.00
2016	\$8,000.00	\$4,908.75	\$12,908.75	\$4,653.75	\$17,562.50	\$146,000.00
2017	\$9,000.00	\$4,653.75	\$13,653.75	\$4,366.88	\$18,020.63	\$137,000.00
2018	\$10,000.00	\$4,366.88	\$14,366.88	\$4,048.13	\$18,415.00	\$127,000.00
2019	\$10,000.00	\$4,048.13	\$14,048.13	\$3,729.38	\$17,777.50	\$117,000.00
2020	\$11,000.00	\$3,729.38	\$14,729.38	\$3,378.75	\$18,108.13	\$106,000.00
2021	\$12,000.00	\$3,378.75	\$15,378.75	\$2,996.25	\$18,375.00	\$94,000.00
2022	\$13,000.00	\$2,996.25	\$15,996.25	\$2,581.88	\$18,578.13	\$81,000.00
2023	\$14,000.00	\$2,581.88	\$16,581.88	\$2,135.63	\$18,717.50	\$67,000.00
2024	\$15,000.00	\$2,135.63	\$17,135.63	\$1,657.50	\$18,793.13	\$52,000.00
2025	\$16,000.00	\$1,657.50	\$17,657.50	\$1,147.50	\$18,805.00	\$36,000.00
2026	\$17,000.00	\$1,147.50	\$18,147.50	\$605.63	\$18,753.13	\$19,000.00
2027	\$19,000.00	\$605.63	\$19,605.63	\$0.00	\$19,605.63	\$0.00
2028	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2029	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2030	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$250,000.00	\$216,495.00		\$208,526.25	\$675,021.25	

Name		Garrison-Quincy-KY-O-Heights Water			LOAN NUMBER	91-04
Bond Series		Amount of Bond			Interest Rate	Semi Annual
1987 B		\$50,000.00			5.875%	2/23/1988
			January	July		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
1990	\$400.00	\$1,468.75	\$1,868.75	\$1,457.00	\$3,325.75	\$49,600.00
1991	\$400.00	\$1,457.00	\$1,857.00	\$1,445.25	\$3,302.25	\$49,200.00
1992	\$400.00	\$1,445.25	\$1,845.25	\$1,433.50	\$3,278.75	\$48,800.00
1993	\$400.00	\$1,433.50	\$1,833.50	\$1,421.75	\$3,255.25	\$48,400.00
1994	\$500.00	\$1,421.75	\$1,921.75	\$1,407.06	\$3,328.81	\$47,900.00
1995	\$500.00	\$1,407.06	\$1,907.06	\$1,392.38	\$3,299.44	\$47,400.00
1996	\$500.00	\$1,392.38	\$1,892.38	\$1,377.69	\$3,270.06	\$46,900.00
1997	\$600.00	\$1,377.69	\$1,977.69	\$1,360.06	\$3,337.75	\$46,300.00
1998	\$600.00	\$1,360.06	\$1,960.06	\$1,342.44	\$3,302.50	\$45,700.00
1999	\$600.00	\$1,342.44	\$1,942.44	\$1,324.81	\$3,267.25	\$45,100.00
2000	\$700.00	\$1,324.81	\$2,024.81	\$1,304.25	\$3,329.06	\$44,400.00
2001	\$700.00	\$1,304.25	\$2,004.25	\$1,283.69	\$3,287.94	\$43,700.00
2002	\$700.00	\$1,283.69	\$1,983.69	\$1,263.13	\$3,246.81	\$43,000.00
2003	\$800.00	\$1,263.13	\$2,063.13	\$1,239.63	\$3,302.75	\$42,200.00
2004	\$800.00	\$1,239.63	\$2,039.63	\$1,216.13	\$3,255.75	\$41,400.00
2005	\$900.00	\$1,216.13	\$2,116.13	\$1,189.69	\$3,305.81	\$40,500.00
2006	\$900.00	\$1,189.69	\$2,089.69	\$1,163.25	\$3,252.94	\$39,600.00
2007	\$1,000.00	\$1,163.25	\$2,163.25	\$1,133.88	\$3,297.13	\$38,600.00
2008	\$1,100.00	\$1,133.88	\$2,233.88	\$1,101.56	\$3,335.44	\$37,500.00
2009	\$1,100.00	\$1,101.56	\$2,201.56	\$1,069.25	\$3,270.81	\$36,400.00
2010	\$1,200.00	\$1,069.25	\$2,269.25	\$1,034.00	\$3,303.25	\$35,200.00
2011	\$1,300.00	\$1,034.00	\$2,334.00	\$995.81	\$3,329.81	\$33,900.00
2012	\$1,300.00	\$995.81	\$2,295.81	\$957.63	\$3,253.44	\$32,600.00
2013	\$1,400.00	\$957.63	\$2,357.63	\$916.50	\$3,274.13	\$31,200.00
2014	\$1,500.00	\$916.50	\$2,416.50	\$872.44	\$3,288.94	\$29,700.00
2015	\$1,600.00	\$872.44	\$2,472.44	\$825.44	\$3,297.88	\$28,100.00
2016	\$1,700.00	\$825.44	\$2,525.44	\$775.50	\$3,300.94	\$26,400.00
2017	\$1,800.00	\$775.50	\$2,575.50	\$722.63	\$3,298.13	\$24,600.00
2018	\$1,900.00	\$722.63	\$2,622.63	\$666.81	\$3,289.44	\$22,700.00
2019	\$2,000.00	\$666.81	\$2,666.81	\$608.06	\$3,274.88	\$20,700.00
2020	\$2,100.00	\$608.06	\$2,708.06	\$546.38	\$3,254.44	\$18,600.00
2021	\$2,200.00	\$546.38	\$2,746.38	\$481.75	\$3,228.13	\$16,400.00
2022	\$2,300.00	\$481.75	\$2,781.75	\$414.19	\$3,195.94	\$14,100.00
2023	\$2,500.00	\$414.19	\$2,914.19	\$340.75	\$3,254.94	\$11,600.00
2024	\$2,600.00	\$340.75	\$2,940.75	\$264.38	\$3,205.13	\$9,000.00
2025	\$2,800.00	\$264.38	\$3,064.38	\$182.13	\$3,246.50	\$6,200.00
2026	\$3,000.00	\$182.13	\$3,182.13	\$94.00	\$3,276.13	\$3,200.00
2027	\$3,200.00	\$94.00	\$3,294.00	\$0.00	\$3,294.00	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$50,000.00	\$38,093.50		\$36,624.75	\$124,718.25	

Name:	Garrison-Quincy-KY-O-Heights Water				LOAN NUMBER	91-05
Bond Series		Amount of Bond			Interest Rate	
1996		\$295,000.00			4.500%	
			<i>July</i>	<i>January</i>		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
1999	\$3,000.00	\$6,637.50	\$9,637.50	\$6,570.00	\$16,207.50	\$292,000.00
2000	\$3,000.00	\$6,570.00	\$9,570.00	\$6,502.50	\$16,072.50	\$289,000.00
2001	\$3,500.00	\$6,502.50	\$10,002.50	\$6,423.75	\$16,426.25	\$285,500.00
2002	\$3,500.00	\$6,423.75	\$9,923.75	\$6,345.00	\$16,268.75	\$282,000.00
2003	\$3,500.00	\$6,345.00	\$9,845.00	\$6,266.25	\$16,111.25	\$278,500.00
2004	\$4,000.00	\$6,266.25	\$10,266.25	\$6,176.25	\$16,442.50	\$274,500.00
2005	\$4,000.00	\$6,176.25	\$10,176.25	\$6,086.25	\$16,262.50	\$270,500.00
2006	\$4,000.00	\$6,086.25	\$10,086.25	\$5,996.25	\$16,082.50	\$266,500.00
2007	\$4,500.00	\$5,996.25	\$10,496.25	\$5,895.00	\$16,391.25	\$262,000.00
2008	\$4,500.00	\$5,895.00	\$10,395.00	\$5,793.75	\$16,188.75	\$257,500.00
2009	\$5,000.00	\$5,793.75	\$10,793.75	\$5,681.25	\$16,475.00	\$252,500.00
2010	\$5,000.00	\$5,681.25	\$10,681.25	\$5,568.75	\$16,250.00	\$247,500.00
2011	\$5,000.00	\$5,568.75	\$10,568.75	\$5,456.25	\$16,025.00	\$242,500.00
2012	\$5,500.00	\$5,456.25	\$10,956.25	\$5,332.50	\$16,288.75	\$237,000.00
2013	\$5,500.00	\$5,332.50	\$10,832.50	\$5,208.75	\$16,041.25	\$231,500.00
2014	\$6,000.00	\$5,208.75	\$11,208.75	\$5,073.75	\$16,282.50	\$225,500.00
2015	\$6,000.00	\$5,073.75	\$11,073.75	\$4,938.75	\$16,012.50	\$219,500.00
2016	\$6,500.00	\$4,938.75	\$11,438.75	\$4,792.50	\$16,231.25	\$213,000.00
2017	\$6,500.00	\$4,792.50	\$11,292.50	\$4,646.25	\$15,938.75	\$206,500.00
2018	\$7,000.00	\$4,646.25	\$11,646.25	\$4,488.75	\$16,135.00	\$199,500.00
2019	\$7,500.00	\$4,488.75	\$11,988.75	\$4,320.00	\$16,308.75	\$192,000.00
2020	\$7,500.00	\$4,320.00	\$11,820.00	\$4,151.25	\$15,971.25	\$184,500.00
2021	\$8,000.00	\$4,151.25	\$12,151.25	\$3,971.25	\$16,122.50	\$176,500.00
2022	\$8,500.00	\$3,971.25	\$12,471.25	\$3,780.00	\$16,251.25	\$168,000.00
2023	\$8,500.00	\$3,780.00	\$12,280.00	\$3,588.75	\$15,868.75	\$159,500.00
2024	\$9,500.00	\$3,588.75	\$13,088.75	\$3,375.00	\$16,463.75	\$150,000.00
2025	\$9,500.00	\$3,375.00	\$12,875.00	\$3,161.25	\$16,036.25	\$140,500.00
2026	\$10,000.00	\$3,161.25	\$13,161.25	\$2,936.25	\$16,097.50	\$130,500.00
2027	\$10,500.00	\$2,936.25	\$13,436.25	\$2,700.00	\$16,136.25	\$120,000.00
2028	\$11,000.00	\$2,700.00	\$13,700.00	\$2,452.50	\$16,152.50	\$109,000.00
2029	\$11,500.00	\$2,452.50	\$13,952.50	\$2,193.75	\$16,146.25	\$97,500.00
2030	\$12,000.00	\$2,193.75	\$14,193.75	\$1,923.75	\$16,117.50	\$85,500.00
2031	\$12,500.00	\$1,923.75	\$14,423.75	\$1,642.50	\$16,066.25	\$73,000.00
2032	\$13,000.00	\$1,642.50	\$14,642.50	\$1,350.00	\$15,992.50	\$60,000.00
2033	\$14,000.00	\$1,350.00	\$15,350.00	\$1,035.00	\$16,385.00	\$46,000.00
2034	\$15,000.00	\$1,035.00	\$16,035.00	\$697.50	\$16,732.50	\$31,000.00
2035	\$15,500.00	\$697.50	\$16,197.50	\$348.75	\$16,546.25	\$15,500.00
2036	\$15,500.00	\$348.75	\$15,848.75	\$0.00	\$15,848.75	\$0.00
2037	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$295,000.00	\$163,507.50		\$156,870.00	\$615,377.50	

<i>Name</i>	Garrison-Quincy-KY-O-Heights Water				<i>LOAN NUMBER</i>	91-08	
<i>Bond Series</i>		<i>Amount of Bond</i>				<i>Interest Rate</i>	<i>Semi Annual</i>
2002		\$356,000.00				4.500%	9/25/2002
				<i>January</i>	<i>July</i>		
<i>YEAR</i>	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE	\$356,000.00
	2005	\$4,000.00	\$8,010.00	\$12,010.00	\$7,920.00	\$19,930.00	\$352,000.00
2006	\$4,000.00	\$7,920.00	\$11,920.00	\$7,830.00	\$19,750.00	\$348,000.00	
2007	\$4,000.00	\$7,830.00	\$11,830.00	\$7,740.00	\$19,570.00	\$344,000.00	
2008	\$4,000.00	\$7,740.00	\$11,740.00	\$7,650.00	\$19,390.00	\$340,000.00	
2009	\$4,000.00	\$7,650.00	\$11,650.00	\$7,560.00	\$19,210.00	\$336,000.00	
2010	\$5,000.00	\$7,560.00	\$12,560.00	\$7,447.50	\$20,007.50	\$331,000.00	
2011	\$5,000.00	\$7,447.50	\$12,447.50	\$7,335.00	\$19,782.50	\$326,000.00	
2012	\$5,000.00	\$7,335.00	\$12,335.00	\$7,222.50	\$19,557.50	\$321,000.00	
2013	\$5,000.00	\$7,222.50	\$12,222.50	\$7,110.00	\$19,332.50	\$316,000.00	
2014	\$6,000.00	\$7,110.00	\$13,110.00	\$6,975.00	\$20,085.00	\$310,000.00	
2015	\$6,000.00	\$6,975.00	\$12,975.00	\$6,840.00	\$19,815.00	\$304,000.00	
2016	\$6,000.00	\$6,840.00	\$12,840.00	\$6,705.00	\$19,545.00	\$298,000.00	
2017	\$6,000.00	\$6,705.00	\$12,705.00	\$6,570.00	\$19,275.00	\$292,000.00	
2018	\$7,000.00	\$6,570.00	\$13,570.00	\$6,412.50	\$19,982.50	\$285,000.00	
2019	\$7,000.00	\$6,412.50	\$13,412.50	\$6,255.00	\$19,667.50	\$278,000.00	
2020	\$7,000.00	\$6,255.00	\$13,255.00	\$6,097.50	\$19,352.50	\$271,000.00	
2021	\$8,000.00	\$6,097.50	\$14,097.50	\$5,917.50	\$20,015.00	\$263,000.00	
2022	\$8,000.00	\$5,917.50	\$13,917.50	\$5,737.50	\$19,655.00	\$255,000.00	
2023	\$8,000.00	\$5,737.50	\$13,737.50	\$5,557.50	\$19,295.00	\$247,000.00	
2024	\$9,000.00	\$5,557.50	\$14,557.50	\$5,355.00	\$19,912.50	\$238,000.00	
2025	\$9,000.00	\$5,355.00	\$14,355.00	\$5,152.50	\$19,507.50	\$229,000.00	
2026	\$9,000.00	\$5,152.50	\$14,152.50	\$4,950.00	\$19,102.50	\$220,000.00	
2027	\$10,000.00	\$4,950.00	\$14,950.00	\$4,725.00	\$19,675.00	\$210,000.00	
2028	\$10,000.00	\$4,725.00	\$14,725.00	\$4,500.00	\$19,225.00	\$200,000.00	
2029	\$11,000.00	\$4,500.00	\$15,500.00	\$4,252.50	\$19,752.50	\$189,000.00	
2030	\$11,000.00	\$4,252.50	\$15,252.50	\$4,005.00	\$19,257.50	\$178,000.00	
2031	\$12,000.00	\$4,005.00	\$16,005.00	\$3,735.00	\$19,740.00	\$166,000.00	
2032	\$12,000.00	\$3,735.00	\$15,735.00	\$3,465.00	\$19,200.00	\$154,000.00	
2033	\$13,000.00	\$3,465.00	\$16,465.00	\$3,172.50	\$19,637.50	\$141,000.00	
2034	\$13,000.00	\$3,172.50	\$16,172.50	\$2,880.00	\$19,052.50	\$128,000.00	
2035	\$14,000.00	\$2,880.00	\$16,880.00	\$2,565.00	\$19,445.00	\$114,000.00	
2036	\$15,000.00	\$2,565.00	\$17,565.00	\$2,227.50	\$19,792.50	\$99,000.00	
2037	\$15,000.00	\$2,227.50	\$17,227.50	\$1,890.00	\$19,117.50	\$84,000.00	
2038	\$16,000.00	\$1,890.00	\$17,890.00	\$1,530.00	\$19,420.00	\$68,000.00	
2039	\$17,000.00	\$1,530.00	\$18,530.00	\$1,147.50	\$19,677.50	\$51,000.00	
2040	\$17,000.00	\$1,147.50	\$18,147.50	\$765.00	\$18,912.50	\$34,000.00	
2041	\$18,000.00	\$765.00	\$18,765.00	\$360.00	\$19,125.00	\$16,000.00	
2042	\$16,000.00	\$360.00	\$16,360.00	\$0.00	\$16,360.00	\$0.00	
2043	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid		
	\$356,000.00	\$195,570.00		\$187,560.00	\$739,130.00		

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Garrison-Quincy-Ky-O-Heights Water District - Loan Number F13-034**

Loan Summary

Borrower:	Garrison-Quincy-Ky-O-Heights Water District			Approval Date:	10-03-2013
Loan ID:	0854	KIA Loan Number:	F13-034	Maturity Date:	12-01-2036
Status:	Active	Interest Rate:	0.75%	R & M Reserve:	\$0.00
Loan Amount:	\$821,721.47	Pmt. Frequency	Semi-Annual		
AA Date:	04-01-2015	Supp. AA Date:			

Amortization Table

Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
06-01-2017	\$14,309.44	\$2,311.09	\$16,620.53	\$770.36	\$0.00	\$17,390.89	\$601,982.03	\$0.00	\$0.00
12-01-2017	\$14,363.10	\$2,257.43	\$16,620.53	\$752.48	\$0.00	\$17,373.01	\$587,618.93	\$2,100.00	\$2,100.00
06-01-2018	\$14,416.96	\$2,203.57	\$16,620.53	\$734.52	\$0.00	\$17,355.05	\$573,201.97	\$0.00	\$2,100.00
12-01-2018	\$14,471.02	\$2,149.51	\$16,620.53	\$716.50	\$0.00	\$17,337.03	\$558,730.95	\$2,100.00	\$4,200.00
06-01-2019	\$14,525.29	\$2,095.24	\$16,620.53	\$698.41	\$0.00	\$17,318.94	\$544,205.66	\$0.00	\$4,200.00
12-01-2019	\$14,579.76	\$2,040.77	\$16,620.53	\$680.26	\$0.00	\$17,300.79	\$529,625.90	\$2,100.00	\$6,300.00
06-01-2020	\$14,634.43	\$1,986.10	\$16,620.53	\$662.03	\$0.00	\$17,282.56	\$514,991.47	\$0.00	\$6,300.00
12-01-2020	\$14,689.31	\$1,931.22	\$16,620.53	\$643.74	\$0.00	\$17,264.27	\$500,302.16	\$2,100.00	\$8,400.00
06-01-2021	\$14,744.40	\$1,876.13	\$16,620.53	\$625.38	\$0.00	\$17,245.91	\$485,557.76	\$0.00	\$8,400.00
12-01-2021	\$14,799.69	\$1,820.84	\$16,620.53	\$606.95	\$0.00	\$17,227.48	\$470,758.07	\$2,100.00	\$10,500.00
06-01-2022	\$14,855.19	\$1,765.34	\$16,620.53	\$588.45	\$0.00	\$17,208.98	\$455,902.88	\$0.00	\$10,500.00
12-01-2022	\$14,910.89	\$1,709.64	\$16,620.53	\$569.88	\$0.00	\$17,190.41	\$440,991.99	\$2,100.00	\$12,600.00
06-01-2023	\$14,966.81	\$1,653.72	\$16,620.53	\$551.24	\$0.00	\$17,171.77	\$426,025.18	\$0.00	\$12,600.00
12-01-2023	\$15,022.94	\$1,597.59	\$16,620.53	\$532.53	\$0.00	\$17,153.06	\$411,002.24	\$2,100.00	\$14,700.00
06-01-2024	\$15,079.27	\$1,541.26	\$16,620.53	\$513.75	\$0.00	\$17,134.28	\$395,922.97	\$0.00	\$14,700.00
12-01-2024	\$15,135.82	\$1,484.71	\$16,620.53	\$494.90	\$0.00	\$17,115.43	\$380,787.15	\$2,100.00	\$16,800.00
06-01-2025	\$15,192.58	\$1,427.95	\$16,620.53	\$475.98	\$0.00	\$17,096.51	\$365,594.57	\$0.00	\$16,800.00
12-01-2025	\$15,249.55	\$1,370.98	\$16,620.53	\$456.99	\$0.00	\$17,077.52	\$350,345.02	\$2,100.00	\$18,900.00
06-01-2026	\$15,306.74	\$1,313.79	\$16,620.53	\$437.93	\$0.00	\$17,058.46	\$335,038.28	\$0.00	\$18,900.00
12-01-2026	\$15,364.14	\$1,256.39	\$16,620.53	\$418.80	\$0.00	\$17,039.33	\$319,674.14	\$2,100.00	\$21,000.00
06-01-2027	\$15,421.75	\$1,198.78	\$16,620.53	\$399.59	\$0.00	\$17,020.12	\$304,252.39	\$0.00	\$21,000.00
12-01-2027	\$15,479.58	\$1,140.95	\$16,620.53	\$380.32	\$0.00	\$17,000.85	\$288,772.81	\$0.00	\$21,000.00
06-01-2028	\$15,537.63	\$1,082.90	\$16,620.53	\$360.97	\$0.00	\$16,981.50	\$273,235.18	\$0.00	\$21,000.00
12-01-2028	\$15,595.90	\$1,024.63	\$16,620.53	\$341.54	\$0.00	\$16,962.07	\$257,639.28	\$0.00	\$21,000.00
06-01-2029	\$15,654.38	\$966.15	\$16,620.53	\$322.05	\$0.00	\$16,942.58	\$241,984.90	\$0.00	\$21,000.00
12-01-2029	\$15,713.09	\$907.44	\$16,620.53	\$302.48	\$0.00	\$16,923.01	\$226,271.81	\$0.00	\$21,000.00
06-01-2030	\$15,772.01	\$848.52	\$16,620.53	\$282.84	\$0.00	\$16,903.37	\$210,499.80	\$0.00	\$21,000.00
12-01-2030	\$15,831.16	\$789.37	\$16,620.53	\$263.12	\$0.00	\$16,883.65	\$194,668.64	\$0.00	\$21,000.00
06-01-2031	\$15,890.52	\$730.01	\$16,620.53	\$243.34	\$0.00	\$16,863.87	\$178,778.12	\$0.00	\$21,000.00
12-01-2031	\$15,950.11	\$670.42	\$16,620.53	\$223.47	\$0.00	\$16,844.00	\$162,828.01	\$0.00	\$21,000.00
06-01-2032	\$16,009.92	\$610.61	\$16,620.53	\$203.54	\$0.00	\$16,824.07	\$146,818.09	\$0.00	\$21,000.00
12-01-2032	\$16,069.96	\$550.57	\$16,620.53	\$183.52	\$0.00	\$16,804.05	\$130,748.13	\$0.00	\$21,000.00
06-01-2033	\$16,130.22	\$490.31	\$16,620.53	\$163.44	\$0.00	\$16,783.97	\$114,617.91	\$0.00	\$21,000.00
12-01-2033	\$16,190.71	\$429.82	\$16,620.53	\$143.27	\$0.00	\$16,763.80	\$98,427.20	\$0.00	\$21,000.00
06-01-2034	\$16,251.43	\$369.10	\$16,620.53	\$123.03	\$0.00	\$16,743.56	\$82,175.77	\$0.00	\$21,000.00
12-01-2034	\$16,312.37	\$308.16	\$16,620.53	\$102.72	\$0.00	\$16,723.25	\$65,863.40	\$0.00	\$21,000.00
06-01-2035	\$16,373.54	\$246.99	\$16,620.53	\$82.33	\$0.00	\$16,702.86	\$49,489.86	\$0.00	\$21,000.00

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Garrison-Quincy-Ky-O-Heights Water District - Loan Number F13-034**

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
12-01-2035	\$16,434.94	\$185.59	\$16,620.53	\$61.86	\$0.00	\$16,682.39	\$33,054.92	\$0.00	\$21,000.00
06-01-2036	\$16,496.57	\$123.96	\$16,620.53	\$41.32	\$0.00	\$16,661.85	\$16,558.35	\$0.00	\$21,000.00
12-01-2036	\$16,558.35	\$62.18	\$16,620.53	\$20.70	\$0.00	\$16,641.23	\$0.00	\$0.00	\$21,000.00
Totals:	\$616,291.47	\$48,529.73	\$664,821.20	\$16,176.53	\$0.00	\$680,997.73		\$21,000.00	

SEWER

Name		Garrison-Quincy-KY-O-Heights Water			LOAN NUMBER	91-12
Bond Series		Amount of Bond			Interest Rate	Semi Annual
2010		\$798,000.00			2.250%	11/18/2010
			January	July		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
						\$798,000.00
2012	\$12,500.00	\$8,977.50	\$21,477.50	\$8,836.88	\$30,314.38	\$785,500.00
2013	\$13,000.00	\$8,836.88	\$21,836.88	\$8,690.63	\$30,527.50	\$772,500.00
2014	\$13,000.00	\$8,690.63	\$21,690.63	\$8,544.38	\$30,235.00	\$759,500.00
2015	\$13,500.00	\$8,544.38	\$22,044.38	\$8,392.50	\$30,436.88	\$746,000.00
2016	\$14,000.00	\$8,392.50	\$22,392.50	\$8,235.00	\$30,627.50	\$732,000.00
2017	\$14,000.00	\$8,235.00	\$22,235.00	\$8,077.50	\$30,312.50	\$718,000.00
2018	\$14,500.00	\$8,077.50	\$22,577.50	\$7,914.38	\$30,491.88	\$703,500.00
2019	\$15,000.00	\$7,914.38	\$22,914.38	\$7,745.63	\$30,660.00	\$688,500.00
2020	\$15,500.00	\$7,745.63	\$23,245.63	\$7,571.25	\$30,816.88	\$673,000.00
2021	\$16,000.00	\$7,571.25	\$23,571.25	\$7,391.25	\$30,962.50	\$657,000.00
2022	\$16,000.00	\$7,391.25	\$23,391.25	\$7,211.25	\$30,602.50	\$641,000.00
2023	\$16,500.00	\$7,211.25	\$23,711.25	\$7,025.63	\$30,736.88	\$624,500.00
2024	\$17,000.00	\$7,025.63	\$24,025.63	\$6,834.38	\$30,860.00	\$607,500.00
2025	\$17,500.00	\$6,834.38	\$24,334.38	\$6,637.50	\$30,971.88	\$590,000.00
2026	\$18,000.00	\$6,637.50	\$24,637.50	\$6,435.00	\$31,072.50	\$572,000.00
2027	\$18,500.00	\$6,435.00	\$24,935.00	\$6,226.88	\$31,161.88	\$553,500.00
2028	\$19,000.00	\$6,226.88	\$25,226.88	\$6,013.13	\$31,240.00	\$534,500.00
2029	\$19,500.00	\$6,013.13	\$25,513.13	\$5,793.75	\$31,306.88	\$515,000.00
2030	\$20,000.00	\$5,793.75	\$25,793.75	\$5,568.75	\$31,362.50	\$495,000.00
2031	\$20,500.00	\$5,568.75	\$26,068.75	\$5,338.13	\$31,406.88	\$474,500.00
2032	\$21,000.00	\$5,338.13	\$26,338.13	\$5,101.88	\$31,440.00	\$453,500.00
2033	\$21,500.00	\$5,101.88	\$26,601.88	\$4,860.00	\$31,461.88	\$432,000.00
2034	\$22,000.00	\$4,860.00	\$26,860.00	\$4,612.50	\$31,472.50	\$410,000.00
2035	\$22,500.00	\$4,612.50	\$27,112.50	\$4,359.38	\$31,471.88	\$387,500.00
2036	\$23,500.00	\$4,359.38	\$27,859.38	\$4,095.00	\$31,954.38	\$364,000.00
2037	\$24,000.00	\$4,095.00	\$28,095.00	\$3,825.00	\$31,920.00	\$340,000.00
2038	\$24,500.00	\$3,825.00	\$28,325.00	\$3,549.38	\$31,874.38	\$315,500.00
2039	\$25,000.00	\$3,549.38	\$28,549.38	\$3,268.13	\$31,817.50	\$290,500.00
2040	\$26,000.00	\$3,268.13	\$29,268.13	\$2,975.63	\$32,243.75	\$264,500.00
2041	\$26,500.00	\$2,975.63	\$29,475.63	\$2,677.50	\$32,153.13	\$238,000.00
2042	\$27,000.00	\$2,677.50	\$29,677.50	\$2,373.75	\$32,051.25	\$211,000.00
2043	\$28,000.00	\$2,373.75	\$30,373.75	\$2,058.75	\$32,432.50	\$183,000.00
2044	\$28,500.00	\$2,058.75	\$30,558.75	\$1,738.13	\$32,296.88	\$154,500.00
2045	\$29,500.00	\$1,738.13	\$31,238.13	\$1,406.25	\$32,644.38	\$125,000.00
2046	\$30,000.00	\$1,406.25	\$31,406.25	\$1,068.75	\$32,475.00	\$95,000.00
2047	\$31,000.00	\$1,068.75	\$32,068.75	\$720.00	\$32,788.75	\$64,000.00
2048	\$32,000.00	\$720.00	\$32,720.00	\$360.00	\$33,080.00	\$32,000.00
2049	\$32,000.00	\$360.00	\$32,360.00	\$0.00	\$32,360.00	\$0.00
2050	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$798,000.00	\$202,511.25		\$193,533.75	\$1,194,045.00	

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 Garrison-Quincy 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."

Greg D. Escham
(Print Name)

GREG D. ESCHAM
(Signed)

Commissioner - Treasurer
(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 Lewis

Subscribed and sworn to before me by Gary Esham
(Name)

this 9 day of February, 2021.

Andrea Johnson #585519
NOTARY PUBLIC
State-at-Large

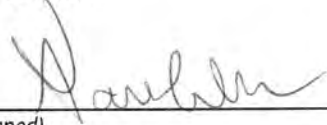
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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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."

KARW O. COLLIER
(Print Name)


(Signed)

Secretary
(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 Lewis

Subscribed and sworn to before me by Kevin Collier
(Name)

this 9 day of February, 2021.

Andrea Johnson #585519
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 Garrison-Quincy 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."

LUKE BENTLEY
(Print Name)

Luke Bentley
(Signed)

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 Lewis

Subscribed and sworn to before me by Luke Bentley
(Name)

this 9 day of February, 2021.

Andrea Johnson # 585519.
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 Garrison-Quincy 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."

Trest Underwood
(Print Name)

Trest Underwood
(Signed)

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 Lewis

Subscribed and sworn to before me by Trent Underwood
(Name)

this 9 day of February, 20 21.

Andrea Johnson #585519.
NOTARY PUBLIC
State-at-Large

Attachment No. 11

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE GARRISON-QUINCY WATER DISTRICT PROPOSING ADJUSTMENTS TO ITS WATER AND SEWER RATES AND CHARGES AND AUTHORIZING ITS MANAGER TO FILE AN APPLICATION WITH THE PSC SEEKING APPROVAL OF THE PROPOSED RATE ADJUSTMENTS

WHEREAS, the Garrison-Quincy 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 and sewer 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 and sewer rates and charges;

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF GARRISON-QUINCY 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 and sewer 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.

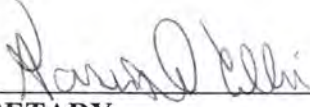
Section 3. The Manager is hereby authorized and directed to prepare, execute, and file with the PSC, by utilizing the Alternative Rate Adjustment Procedure for Small Utilities set forth in 807 KAR 5:076, an Alternative Rate Filing (“ARF”) Application, Tariff Sheets, and all other documents that may be required by the PSC.

Section 4. The Chairman, Manager, and all other appropriate District staff 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.

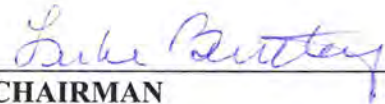
Section 5. This Resolution shall take effect upon its adoption.

ADOPTED BY THE COMMISSION OF GARRISON-QUINCY WATER DISTRICT at a meeting held on February 9, 2021, signed by the Chairman, and attested by the Secretary.

ATTEST:



SECRETARY



CHAIRMAN

CERTIFICATION

I, Secretary of the Garrison-Quincy Water District (the “District”), do hereby certify that the foregoing is a true copy of a Resolution duly adopted by the Commission of the District at a meeting properly held on February 9, 2021, signed by the Chairman of the Commission, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 9th day of February 2021.



SECRETARY

APPENDIX A

CURRENT AND PROPOSED MONTHLY RATES	
Garrison-Quincy Water District	
WATER DIVISION	
<u>CURRENT RATE SCHEDULE</u>	<u>PROPOSED RATE SCHEDULE</u>
<p><u>5/8" x 3/4" Meters</u></p> <p>First 2,000 gallons \$ 20.50 Minimum Bill</p> <p>Next 3,000 gallons 8.05 per 1,000 gallons</p> <p>Next 5,000 gallons 6.73 per 1,000 gallons</p> <p>Over 10,000 gallons 5.32 per 1,000 gallons</p> <p><u>1" Meters</u></p> <p>First 10,000 gallons \$ 78.30 Minimum Bill</p> <p>Over 10,000 gallons 5.32 per 1,000 gallons</p> <p><u>2" Meters</u></p> <p>First 50,000 gallons \$ 291.10 Minimum Bill</p> <p>Over 50,000 gallons 5.32 per 1,000 gallons</p> <p><u>Bulk Water</u></p> <p>All purchases \$ 8.68 per 1,000 gallons</p> <p><u>Wholesale Customers</u></p> <p>First 1.0 mil gallons \$ 2,000 Minimum Bill</p> <p>Over 1.0 mil gallons 2.00 per 1,000 gallons</p>	<p><u>5/8" x 3/4" Meters</u></p> <p>First 2,000 gallons \$ 24.29 Minimum Bill</p> <p>Next 3,000 gallons 9.54 per 1,000 gallons</p> <p>Next 5,000 gallons 7.98 per 1,000 gallons</p> <p>Over 10,000 gallons 6.30 per 1,000 gallons</p> <p><u>1" Meters</u></p> <p>First 10,000 gallons \$ 92.81 Minimum Bill</p> <p>Over 10,000 gallons 6.30 per 1,000 gallons</p> <p><u>2" Meters</u></p> <p>First 50,000 gallons \$ 344.81 Minimum Bill</p> <p>Over 50,000 gallons 6.30 per 1,000 gallons</p> <p><u>Bulk Water</u></p> <p>All purchases \$ 10.29 per 1,000 gallons</p> <p><u>Wholesale Customers</u></p> <p>First 1.0 mil gallons \$ 2,000 Minimum Bill</p> <p>Over 1.0 mil gallons 2.00 per 1,000 gallons</p> <p><u>Water Loss Reduction Surcharge</u></p> <p style="text-align: right;">\$ 1.73 per Customer</p>
SEWER DIVISION	
<u>CURRENT RATE SCHEDULE</u>	<u>PROPOSED RATE SCHEDULE</u>
<p><u>All Customers</u></p> <p>First 2,000 gallons \$ 22.00 Minimum Bill</p> <p>Over 2,000 gallons 11.00 per 1,000 gallons</p>	<p><u>All Customers</u></p> <p>First 2,000 gallons \$ 29.70 Minimum Bill</p> <p>Over 2,000 gallons 14.85 per 1,000 gallons</p>