

EXHIBIT G

EXHIBIT G.1

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF THE ADAIR COUNTY WATER DISTRICT AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE DISTRICT'S WATER SYSTEM; AUTHORIZING THE ISSUANCE OF \$1,100,000 OF THE DISTRICT'S WATER REVENUE BONDS, SERIES OF 2009, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE DISTRICT'S WATER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

WHEREAS, it is permitted and provided by Sections 74.370 and 96.350 through 96.510 of the Kentucky Revised Statutes that any water district may finance the costs of construction of additions, extensions and improvements to its water distribution system by the issuance of revenue bonds, secured solely by the revenues of the system, and the Board of Commissioners of the Adair County, Kentucky, Water District (the "District") has so determined; and

WHEREAS, the District has determined it is necessary and desirable to construct additions, extensions and improvements to its water distribution System (the "Construction Project" or "By-Pass Project"); and

WHEREAS, in order to assist in financing the Construction Project the District is to receive a Grant in the amount of approximately \$608,000 from the United States of America, acting through the U.S. Department of Agriculture, Rural Development ("USDARD"), a Grant in the amount of approximately \$292,000 from the 2006 Kentucky General Assembly, and a Grant in the amount of approximately \$1,500,000 from the Economic Development Administration ("EDA"), toward the total cost of \$3,500,000 of the Construction Project and a loan from USDARD in the amount not to exceed \$1,100,000 to be represented by the District's Water Revenue Bonds, Series of 2009 (the "Bonds") hereinafter identified which are to be sold to USDARD in the event bids are not received from others for said Bonds on a basis USDARD considers reasonable, and

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE ADAIR COUNTY, KENTUCKY, WATER DISTRICT AS FOLLOWS:

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

"2006 Kentucky General Assembly Grant" means the Grant to the District for the Construction Project from the Kentucky General Assembly in the amount of \$292,000.

"Additional Bonds" means bonds issued in the future payable from the income and revenues of the System which may or may not rank on the basis of parity as to security and source of payment with the Series 2009 Bonds.

"Beginning Month" means the month following the month in which the Construction Project is completed, as certified by the Engineers.

"The words "Registered Owner" "bond," "owner" "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "Registered Owner" means and contemplates, unless context otherwise indicates, the Registered Owner or Owners or holders of the Fully Registered Bonds at the time issued and outstanding hereunder, or any of them.

The "Bonds" or "Series 2009 Bonds" means any of the bonds payable from the income and revenues of the system authorized by this Resolution, specifically the \$1,100,000 Adair County, Kentucky, Water District Water Revenue Bonds, Series of 2009.

"Bond Fund" or "Sinking Fund" means the "Adair County, Kentucky Water District Water Revenue Bond and Interest Sinking Fund of 1974" established pursuant to the provisions of the Resolution authorizing the Series 1974 Bonds and constituting the sinking fund or debt service fund for Series 1974 Bonds as well as the other Outstanding Bonds payable from the income and revenues of the System.

"Bond Anticipation Note" or "Notes" means the obligations of the District authorized by this Resolution to provide interim financing or multiple advances pending the delivery of the Series 2009 Bonds.

"Commission" means the Board of Water Commissioners of the District.

"Construction Account" means the "Adair County Water District Water System Construction Project Account of 2009" established under the provisions of this Resolution for the purpose of accounting for the disbursements for the Construction Project from the proceeds of the District's Bond Anticipation Notes and/or Series 2009 Bonds and Grant proceeds.

"Construction Project" or "Extension Project" or "By-Pass Project" means the construction of the extensions, additions and improvements to the District's Water System, which construction is being financed in part by the Series 2009 Bonds herein authorized.

"Date of Closing" means the date upon which the Series 2009 Bonds are delivered to the successful purchaser.

"Depository Bank" means a bank or trust company which shall serve as the depository of all of the various funds created or referred to in this Resolution which is a member of the FDIC.

"District" means Adair County, Kentucky, Water District.

"Economic Development Administration Grant" means the Grant to the District for the Construction Project from the Economic Development Administration in the amount of \$1,500,000

"Engineer" or "Engineers" means the Engineers, or may one of them, who prepared the plans and specifications for the Construction Project and who shall supervise the construction thereof, and shall be deemed to refer to the firm of Monarch Engineering, Inc., Lawrenceburg, Kentucky.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fully Registered Bond" shall refer to a single bond or a series of negotiable bonds (subject to the transfer provisions) payable only to the Registered Owner or Owners in substantially the same form set forth as Exhibit A to this Resolution; fully registered as to both principal and interest.

"Independent Consulting Engineer" means an independent Consulting Engineer or firm of Engineers of recognized excellent reputation in the field of water system engineering and such definition includes the Engineers named above.

"Issuer" means the District.

"PSC" means the Public Service Commission of Kentucky.

"KIA Loan Fund" means the separate and special fund established by the District to provide for the payment of the principal and interest requirements on the Loan to the District from the Kentucky Infrastructure Authority ("KIA") under an Assistance Agreement.

"KRS" means the Kentucky Revised Statutes.

"KRWFC" means the Kentucky Rural Water Finance Corporation, a cooperative of Kentucky water districts established for the purpose of providing interim financing for construction projects of water districts.

"Original Purchaser" means the agency, person, firm or firms to which or to whom the Series 2009 Bonds herein authorized are awarded at the Public sale of said Series 2009 Bonds, or their successors, and such definition shall include USDARD if it is the original purchaser of said Series 2009 Bonds.

"Outstanding Bonds" means (i) the Adair County Water District Waterworks Revenue Bonds of 1974; (ii) the Adair County Water District Waterworks Revenue Bonds of 1978; (iii) the Adair County Water District Water Revenue Bonds, Series of 1985; (iv) the Adair County Water District Water Revenue Bonds, Series of 1989; (v) the Adair County Water District Water Revenue Bonds, Series of 1992; (vi) the Adair County Water District Water Revenue Bonds, Series of 1995; (vii) the Adair County Water District Water Revenue Bonds, Series of 1998; (viii) the Adair County Water District Water Revenue Bonds, Series of 2002; (ix) the Adair County Water District Water Revenue Bonds, Series of 2004; and (x) the Adair County Water District Water Revenue Bonds, Series of 2007.

"Parity Bonds" means bonds issued in the future ranking on the basis of parity as to security and source of payment with the Outstanding Bonds and Series 2009 Bonds.

"System" means the water distribution System of the District.

"USDARD" means the United States of America, acting through the U.S. Department of Agriculture Rural Development.

"USDARD Grant" means the Grant to the District for the Construction Project from United States of America, acting through the U.S. Department of Agriculture, Rural Development in the amount of \$608,000.

"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 II. Approval of Public Service Commission of Kentucky as Prerequisite to Financing: That in order for the District to finance the Construction Project through the issuance of its Bonds, pursuant to the provisions of Chapter 278 of the Kentucky Revised Statutes, the District constitutes a "utility" within the definition of said Chapter and is subject to the jurisdiction of the Public Service Commission of Kentucky and the prior approval of said PSC in accordance with KRS 278.023 is required in regard to the Construction Project and the financing therefor. Accordingly, the Chairman or Secretary of the District is authorized to file a copy of this Resolution and accompanying appropriate documentation in accordance with the provisions of KRS Chapter 278 in order that the District may obtain a Certificate of Public Convenience and Necessity from said Public Service Commission of Kentucky.

Section III. Construction of Extensions, Additions and Improvements; Declaration of Period of Usefulness: The Issuer shall construct the extensions, additions and improvements referred to herein as the Construction Project which is generally described in the plans, specifications and report prepared by the Engineers now on file with the Secretary of the Issuer and PSC, and shall operate said System as a revenue-producing project under the provisions of the Constitution of Kentucky and Chapters 74 and 96 of Kentucky Revised Statutes.

The Issuer hereby declares that the period of usefulness of the entire System is more than forty (40) years from the date of completion of the "Construction Project." All of the streets, alleys and rights-of-way within the jurisdiction of the District are hereby, to the extent required, dedicated to the use of the System.

Section IV. Authorization of Series 2009 Bonds: It has been heretofore determined by the Issuer that the total cost of the construction of the extensions, additions and improvements to the System, including preliminary expenses, land and rights-of-way, engineering expense, interest during construction, legal and administrative expense, publication costs and all necessary and incidental expenses thereto will not exceed approximately \$3,500,000, and after deducting the \$608,000 of USDARD Grant proceeds, \$292,000 2006 Kentucky General Assembly Grant proceeds and \$1,500,000 Economic Development Administration Grant proceeds, it is necessary that the Issuer authorize and issue \$1,100,000 of Water Revenue Bonds, Series of 2009, for the purpose of financing the costs, not otherwise provided, of the aforesaid extensions, additions and improvements under the provisions of Sections 74.370 and 96.350 through 96.510 of Kentucky Revised Statutes. There are hereby authorized to be issued and sold One Million One Hundred Thousand Dollars (\$1,100,000) principal amount of "Adair County (Kentucky) Water District Water Revenue Bonds, Series of 2009". All of said Series 2009 Bonds shall be dated as of the date of delivery to the purchaser thereof, and shall bear interest from such date at a rate or rates as may be fixed by supplemental Resolution as a result of the advertised sale and competitive bidding for said Series 2009 Bonds, as hereinafter provided, and shall be issued and delivered only according to the "Form of Fully Registered Bond," as hereinafter prescribed.

Interest 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.

Said Bonds shall mature as to principal on January 1 of each of the respective years of maturity. The purchaser(s) of said Bonds shall have the right to elect that such Bonds be issued in denominations of from \$100 to \$1,100,000, in multiples of \$100, consistent with the schedule of principal maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, SERIES 2009 BONDS

<u>Maturity Date</u>	<u>Principal</u>
January 1, 2013	16,800
2014	17,200
2015	17,700
2016	18,200
2017	18,700
2018	19,200
2019	19,700
2020	20,300
2021	20,800
2022	21,400
2023	22,000
2024	22,600
2025	23,200
2026	23,900
2027	24,500
2028	25,200
2029	25,900
2030	26,600
2031	27,300
2032	28,100
2033	28,900
2034	29,700
2035	30,500
2036	31,300
2037	32,200
2038	33,100
2039	34,000
2040	34,900
2041	35,900
2042	36,800
2043	37,900
2044	38,900
2045	40,000
2046	41,100
2047	42,200
2048	43,400
2049	44,600
2050	45,300

Section V. Provisions for Prepayment of Principal. Principal installments due on the Bonds on or after January 1, 2014 shall be subject to prepayment, in whole or in part, on January 1, 2013 and on any interest payment date thereafter, in multiples of \$100 in inverse chronological order of installments, upon terms of the principal amount to be prepaid, plus accrued interest to the date of prepayment but without prepayment penalty.

In the event the Issuer elects to prepay less than all of the Bonds, it shall exchange with the Registered Owner at the expense of the Issuer a new Bond or Bonds representing the correct unpaid principal balance following the partial prepayment. Notwithstanding the foregoing, in the event USDARD is the Registered Owner of Bonds upon which a prepayment is made, the Issuer shall not be required to exchange its new Bonds as indicated in the preceding sentence.

Notice of prepayment shall be given by regular United States mail to the Registered Owner of the Bonds to be prepaid not less than thirty (30) days prior to the date fixed for prepayment. All principal payments as to which the

Issuer exercises the right of redemption and as to which notice shall have been given, and for the prepayment of which, upon the terms aforesaid, funds are duly provided, shall cease to bear interest on the redemption date so designated.

Notwithstanding any of the foregoing provisions as to prepayment Series 2009 Bonds may be redeemed at any time from the proceeds of said Bonds remaining unused at the time the Construction Project is completed upon thirty (30) days written notice to the Registered Owner.

Section VI. Series 2009 Bonds Payable From System Revenues; Statutory Mortgage Lien Created. All of said of said Series 2009 Bonds, together with the interest thereon, and any additional parity bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely and only out of the "Adair County Water District Water Revenue Bond and Interest Sinking Fund of 1974" (the "Bond Fund"), established under the provisions of the Resolution authorizing the Outstanding Bonds and shall be a valid claim of the Registered Owners only against such Bond Fund and the System revenues pledged to said Bond Fund, in accordance with the provisions of Chapter 74 and 96 of Kentucky Revised Statutes.

That in accordance with Provisions of KRS 96.400, in addition to the pledge of the income and revenues of the System made to secure the Bonds, the District hereby acknowledges the existence of the statutory mortgage lien upon the System and all appurtenances and extensions thereto in favor of the owners of the Bonds.

The System, together with all extensions and appurtenances, shall remain subject to the statutory mortgage lien created by KRS 96.400 until the payment in full of the principal and interest on the Series 2009 Bonds and any Registered Owner of the Outstanding Bonds or Series 2009 Bonds may, by action at law or in equity, protect and enforce the lien and compel the performance of all duties required by KRS 96.350 through 96.510, and KRS 58.010 through 58.140, including the making and collecting of sufficient rates, the segregation of the income and revenues of the System, and the application thereof of the payment of the Outstanding Bonds and Series 2009 Bonds.

Section VII. Form of Fully Registered Bonds; Execution Authorized. Said Fully Registered Bonds referred to herein shall be in substantially the same form as set form in Exhibit A to this Resolution, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Resolution. The Fully Registered Bonds shall be of a type and composition shall be on paper of sufficient weight and strength to prevent deterioration until the last principal installment due thereon and shall conform in size to standard bond practices.

The Fully Registered Bonds shall be executed by the manual signature of the Chairman, impressed with the corporate seal of the Issuer and attested by the manual signature of the Secretary.

The Registered Owner of any Fully Registered Bonds shall have the right, upon written request to the Issuer and within ninety (90) days following such request, at the expense of the Registered Owner, to exchange Fully Registered Bonds for other Fully Registered Bonds in denominations selected by the Registered Owner in multiples of \$100 consistent with the schedule of principal maturities of said Series 2009 Bonds. New Bonds shall be so issued and substituted only for and upon surrender to the Issuer of the corresponding Bonds so exchanged which shall then be immediately canceled by the Treasurer of the Issuer.

Section VIII. Interim Financing; Bond Anticipation Notes. The Issuer and USDARD have entered into a Loan Resolution whereby USDARD has agreed to purchase the Series 2009 Bonds herein authorized in the event the Issuer is unable to sell said Series 2009 Bonds (to obtain credit elsewhere) at reasonable rates and terms taking into consideration prevailing private and corporate rates and terms in the community in accordance with USDARD Regulations. Under the terms of USDARD Regulations, delivery of the Series 2009 Bonds herein authorized and the receipt of the purchase price therefor will not be accomplished until the Construction Project is substantially complete. Therefore, in order to facilitate the completion of the Construction Project pending the issuance and delivery of the Bonds herein authorized, there are hereby authorized to be executed and delivered for the purpose of providing funds for the expenses of the Construction Project incurred in the interim period from the date of the sale of said Series 2009 Bonds until the issuance and delivery of the Series 2009 Bonds "Adair County (Kentucky) Water District Water Revenue Bond Anticipation Notes, Series of 2009" in the aggregate principal amount of \$1,100,000 (hereinafter sometimes referred to as the "Bond Anticipation Notes").

The procedure for the execution of said Bond Anticipation Notes and the disbursement of the proceeds thereof shall be strictly in accordance with the terms of this Resolution and as set forth in this Section VIII.

There is hereby created a special and separate account of the Issuer which shall be designated as the "Adair County, Kentucky, Water District Water System Construction Project Account of 2009" (hereinafter sometimes referred to as the "Construction Account"). Said Construction Account shall be established with the Depository Bank and any deposit in said Construction Account in excess of FDIC insurance coverage shall be secured by the Depository Bank in accordance with U.S. Treasury Department Circular No. 176 by a pledge of collateral with a Federal Reserve Bank. Pending the issuance and delivery of the Bonds all monies received in connection with the Construction Project from the Grant from USDARD, the proceeds of Bond Anticipation Notes or the District's Contribution shall be deposited in said Construction Account and shall be applied to meet the costs incident to said Construction Project pending the delivery of the Bonds.

The Engineers shall prepare one or more Estimate of Funds Needed, which will show the amount of funds needed during the 30-day period following the submission of such estimate (RD Form 440-11), and which Estimates shall be executed by a representative of said Engineers in charge of the Construction Project, stating that the amount requested under said Estimate represents an estimated sum to be earned by and due to contractors under contracts with the Issuer for work performed or materials furnished in connection with said Construction Project. Each Estimate of Funds Needed shall be countersigned by the Chairman and approved by USDARD. In regard to items of expense in connection with the Construction Project not relating to construction contracts, the Engineer's executions of the Estimate of Funds shall not be necessary and an Estimate of Funds for projected expenses of this type shall be signed only by the Chairman and approved by the duly authorized representative of USDARD.

The Estimate of Funds Needed (properly countersigned) shall be submitted to the Chairman and Secretary, who, upon the receipt thereof, shall be authorized to execute a Bond Anticipation Note or Notes in accordance with the terms of this Resolution in the aggregate amount represented by the Estimate of Funds submitted.

Upon the execution of the Bond Anticipation Notes, same shall be delivered to the purchaser thereof, whether said purchaser be a bank or USDARD, and the proceeds received therefrom shall be deposited in the Construction Account and disbursed from said Account in accordance with the terms of this Resolution.

All requests for disbursements from the Construction Account shall be accompanied by one or more vouchers (Partial Payment Estimates, RD Form 1924-18) executed by a representative of the Engineers in charge of said Construction Project certifying that the amount requested represents a sum actually earned by and due to contractors under a contract with the Issuer for work performed or for materials furnished to the Issuer in connection with said Construction Project. Each such voucher shall likewise be countersigned by the Chairman and approved by the duly authorized representative of USDARD. To the extent a requested disbursement from said Construction Account shall be for items not relating to construction contracts, a voucher (in a form satisfactory to USDARD) for such disbursement signed only by the Chairman and approved by the duly authorized representative of USDARD shall be submitted stating that the requested advance represents an expenditure which may be properly made under the terms of the USDARD Loan Resolution and is eligible for payment by the Issuer from the proceeds of the Bonds herein authorized.

Disbursements from the Construction Account shall be made by check signed by the Treasurer of the Issuer countersigned by the duly authorized representative of USDARD (if so required by USDARD) and shall be made only upon the Treasurer's receipt of such voucher.

Notwithstanding anything contained in this Resolution to the contrary, no disbursements shall be made from the Construction Account nor shall any Bond Anticipation Notes be issued and delivered unless and until the Issuer has certified and USDARD has accepted the existence of 5,772 existing water users of the System.

The position of Treasurer of the Issuer shall be covered by a Fidelity Bond in the amount of not less than \$395,000 with a surety company approved by USDARD; the Issuer and USDARD shall be named Co-obligees in such Bond, and the amount thereof shall not be reduced without the written consent of USDARD. Should the aggregate total of the deposits in the various accounts authorized to be maintained under the provisions of this Resolution equal more than \$395,000 at any one time during the year the Fidelity Bond of the Treasurer of the Issuer will be increased to cover the larger amount so accumulated; including the period during which the Construction Account is being utilized.

The Bond Anticipation Notes shall be in substantially the same form as the Bond Anticipation Note attached to and made a part of this Resolution and marked for identification as Exhibit B. The Chairman and Secretary are hereby

authorized to execute said Notes periodically but in an aggregate principal amount not to exceed \$1,100,000 upon their receipt of the duly executed Estimate of Funds in accordance with the preceding paragraphs of this Section.

Said Bond Anticipation Notes shall be dated as of the date of the execution thereof and shall bear interest payable at maturity. The principal maturity date for all of said Notes shall be on or before not more than three (3) years from the date this Resolution is adopted. All of said Notes shall be subject to payment prior to their stated maturity, with or without penalty or premium, as the Board of Commissioners may determine, on any interest payment date upon ten (10) days' written notice of such prior redemption to the Registered Owner thereof.

Notwithstanding the foregoing procedure for the issuance of Bond Anticipation Notes and as an alternative procedure, upon the solicitation of bids from not less than two responsible lenders and a determination that it is in the best interests of the District, said Bond Anticipation Notes may be sold to the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to the terms of a Loan Agreement between KRWFC, as lender, and the District, as borrower. In the event of a sale of the Notes to KRWFC, said Notes may be issued in the form of a single, fully registered Note in the principal of \$1,100,000 or such lesser amount as the District may determine necessary and the interest due on said Notes in accordance with the sale to said KRWFC may be deducted from the proceeds of said Notes upon their delivery and deposited with the Trustee for KRWFC under the Indenture pursuant to the terms of which KRWFC has issued its notes and thereafter transferred by said Trustee to the Construction Account herein established and disbursed in accordance with the provisions of this Section VIII. The District shall periodically submit a Requisition for Funds to the Trustee for KRWFC in order to effect transfers to the District's Construction Account and thereafter the Note proceeds shall be disbursed in accordance with the procedure for Partial Payment Estimates under vouchers contemplated by this Section. The Chairman and Secretary are hereby authorized to execute a Loan Agreement with KRWFC in order to effect said interim financing.

The Bond Anticipation Notes herein authorized shall be payable solely from and secured by (i) the proceeds derived from the issuance of the Series 2009 Bonds herein authorized, or (ii) the proceeds of other interim financing loans made in anticipation of the issuance of such Series 2009 Bonds.

Said Notes are authorized in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to KRS 58.150, KRS 56.513, KRS 96.350 through KRS 96.510 and KRS 58.010 through 58.140 of the Kentucky Revised Statutes.

The authority hereby delegated to the Chairman and Secretary in regard to the execution of a total aggregate principal amount of \$1,100,000 of Notes includes the execution of renewal notes in evidence of the renewal and extension of Notes becoming due, providing the aggregate of the principal amount of all such Bond Anticipation Notes outstanding and payable shall not exceed \$1,100,000 and providing any Note which is renewed or superseded is simultaneously canceled and transmitted to the Issuer. The maximum aggregate principal amount of Bond Anticipation Notes permitted by this Resolution shall include the interest on said Notes.

Notwithstanding anything contained in this Resolution to the contrary, the Issuer covenants that no Bond Anticipation Notes shall be issued and delivered unless and until the Bonds have been sold at public sale in accordance with law.

The Issuer further covenants simultaneously with the issuance and delivery of said Series 2009 Bonds to the successful purchaser, all amounts due, owing and unpaid on said Bond Anticipation Notes shall be repaid at said time of delivery, including principal and interest.

In the event there may from time to time be on deposit in said Construction Account funds which are not immediately needed for the payment of construction costs, same may be invested, but only in the manner permitted by USDARD; provided, however, that no deposit in said Construction Account or any other fund provided for hereunder shall be used or invested in any manner which would cause the Series 2009 Bonds to become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or any Regulations of the U.S. Treasury Department interpreting same.

By the adoption of this Resolution, the Issuer covenants with the Registered Owners of the Series 2009 Bonds that it will not issue over \$10,000,000 of its debt obligations in the calendar year in which the Series 2009 Bonds are

delivered and hereby designates the Series 2009 Bonds as "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code").

Subsequent to the delivery of the Bonds and the payment in full of the Bond Anticipation Notes upon certification by the Engineers that the Construction Project is complete in accordance with the plans and specifications and all items of expense have been paid, the balance, if any, remaining in said Construction Account shall be transferred to the Bond Fund and said Construction Account shall be closed.

Section IX. Delivery of the Series 2009 Bonds; Payment of Bond Anticipation Notes; Disbursement of Series 2009 Bond Proceeds. Upon the delivery of the Series 2009 Bonds herein authorized, the following distribution of the proceeds of said Series 2009 Bonds shall be made simultaneously with said delivery and receipt of payment (the "Date of Closing"):

(A) Simultaneously with the delivery of the Series 2009 Bonds, all amounts due and owing by the Issuer on interim construction loans evidenced by the Bond Anticipation Notes, including principal and interest, and prepayment premium, if any, shall be paid in full and the Notes canceled or Loan retired.

(B) After observing the priority of the disbursement set forth in subparagraph (A) above, and simultaneously with the delivery of the Series 2009 Bonds, the balance of the proceeds of said Bonds remaining after the payment of the expenses incident to their authorization and sale, shall be transferred to the Construction Account established by Section VIII of this Resolution.

Section X. Disposition of Water System Revenues. From and after the delivery of any of the Series 2009 Bonds authorized under the provisions of this Resolution, the System shall be operated on a fiscal year basis and on that basis all income and revenues derived directly or indirectly from the operation of said System shall be deposited promptly and as received first to the credit of a separate and special account known as the "Adair County Water District Water Revenue Fund" (the "Revenue Fund"), established by the Resolution authorizing the Outstanding Bonds. Such Revenue Fund shall be held separate and apart from all other funds of the Issuer and shall be maintained so long as any of the Outstanding Bonds and Series 2009 Bonds are outstanding and payment is not provided therefor. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(A) So long as any of the Series 2009 Bonds remain outstanding and payment is not provided for the separate and special account known as the "Adair County, Kentucky Water Revenue Bond and Interest Sinking Fund of 1974" (the "Bond Fund" or "Sinking Fund") established by the Resolution authorizing the Series 1974 Bonds shall be maintained. Commencing with the month following the month in which the Series 2009 Bonds are delivered, there shall be transferred from the Revenue Fund to the Bond Fund a monthly amount equal to the total of the following:

(1) A sum equal to one-twelfth (1/12) of the interest requirements becoming due on the Outstanding Bonds and Series 2009 Bonds on the next succeeding interest due date.

(2) A sum equal to one-twelfth (1/12) of the principal requirements becoming due on the Outstanding Bonds and Series 2009 Bonds on the next succeeding January 1.

Notwithstanding anything contained herein to the contrary, in the event that USDARD is the Registered Owner of the Series 2009 Bonds, then in the event USDARD so desires, payments to USDARD from the Bond Fund for interest and principal installments on the Series 2009 Bonds shall be made directly to USDARD on a monthly basis. The Issuer shall file the Electronic Funds Transfer Payment Enrollment Form (Form SF-3881) with USDARD in order to utilize the Electronic Funds Transfer/Automated Clearing House ("EFT/ACH") for all payments due USDARD pursuant to this Resolution. It is hereby provided further that so long as USDARD is the Registered Owner of the Series 2009 Bonds, monies on deposit in all of the various accounts established or affirmed by this Resolution shall be secured as required by USDARD Regulations.

(B) The separate and special account designated as the "Depreciation Reserve Fund" established by the Resolutions authorizing the Outstanding Bonds shall be maintained so long as any of the Outstanding Bonds and Series 2009 Bonds remain outstanding. There shall be transferred to the Depreciation Fund from the balance of the income and revenues of the System remaining after the transfers required in Subsection (A) to the extent of \$1,303 per month so long as the Series 2009 Bonds remain outstanding, which shall be utilized in making good any depreciation in the properties

of said System, in financing extensions, additions or improvements to the System, or, in preventing a default in the payment of principal and interest requirements for the Series 2009 Bonds. Said required transfer stated above shall include transfers required under previous Resolutions authorizing the Outstanding Bonds.

There shall also be deposited in the Depreciation Fund proceeds from the sale of any equipment no longer usable or needed, fees or charges, if any, collected from potential customers, and the proceeds of any property damage insurance not immediately used to replace the damaged or destroyed property. Monies in the Depreciation Fund shall be used for making extraordinary maintenance repairs, renewals, or replacements to the System and for paying the cost of constructing improvements or extensions to the System which will either enhance the revenue producing capacity of the System or provide a higher degree of service, and no withdrawals shall be made for any other purposes; provided, however, that moneys on deposit in the Depreciation Fund shall be available for the principal and interest requirements on the Outstanding Bonds and Series 2009 Bonds, if, for any reason, and whenever sufficient funds are not available in the Bond Fund.

If in any year the Issuer shall, for any reason, fail to pay into to said Bond Fund and Depreciation Fund the full amounts stipulated in Subsections (A) and (B), then an amount equivalent to one hundred ten percent (110%) of such deficiency shall be set apart and paid into said Funds from the first available income and revenues of the System in the following year or years, and said payments shall be in addition to the amount otherwise herein provided for said succeeding year or years. Upon compliance with the required deposits to the Bond Fund and Operation and Maintenance Fund any remaining funds shall be transferred to the Depreciation Fund

Monies on deposit in said Bond Fund and Depreciation Fund may be invested in direct obligations or guaranteed bonds or securities of the United States of America having a maturity date or being subject to redemption at the option of the holder not more than five (5) years from the date of the investment therein, and all such investments, as well as income therefrom, shall be carried to the credit of the Fund from which the investment was made.

(C) So long as any amounts are owed by the District to the Kentucky Infrastructure Authority, a separate and special account shall be maintained, designated as the "KIA Loan Fund" and after observing the priorities of the transfers set forth in Subsections A and B above, monthly transfers shall be made to said KIA Loan Fund from the Revenue Fund adequate to meet the principal and interest requirements of the KIA Loan in accordance with terms of the Assistance Agreement.

(D) The separate and special account designated as the "Operation and Maintenance Fund" established by the Resolutions authorizing the Outstanding Bonds shall be maintained so long as the Outstanding Bonds and the Series 2009 Bonds remain outstanding there shall continue to be transferred to the Operation and Maintenance Fund from the Revenue Fund the income and revenues of the System remaining after the transfers required under Subsections (A), (B) and (C) hereof for the purpose of providing for the proper operation and maintenance expenses of the System, including the expense of carrying sufficient insurance on the System of a character and in amounts as will properly insure the properties and, in addition, carrying liability insurance in character and amounts deemed necessary (all of which insurance shall be carried and maintained in effect) but not limited to such expenses. Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance expenses of such System are met and a two (2) month operating reserve is established and maintained.

Notwithstanding the foregoing requirements for transfers from the revenue fund to meet current operating expenses and maintain a two (2) month operating reserve, there shall be an additional monthly transfer to the Operation and Maintenance Fund in the sum of not less than \$2,612 which shall be segregated in a sub-account designated "short-lived asset account" which may be utilized to acquire, replace or repair short-lived assets necessary for the operation of the System.

Any funds remaining in such Operation and Maintenance Fund after meeting current expenses of operating such System, establishing the required operating reserve and short-lived asset account shall be transferred to the Revenue Fund and disbursed in accordance with the provisions of this Section until such time as the Sinking Fund and Depreciation Fund are current and the required balances established.

All transfers required by Subsections (A), (B), (C) and (D) above shall be made on the 1st day of each month unless such day be Sunday or a legal holiday, in which event such transfers shall be made on the next succeeding secular day.

All funds referred to in Subsections (A), (B), (C) and (D) above are to be deposited with a bank or banks which is a member or are members of the Federal Deposit Insurance Corporation and, to the extent the aggregate deposits of the Issuer in such bank or banks exceed FDIC coverage, shall be secured by a pledge of obligations of or obligations which are fully guaranteed by the United States Government having a market value equal to the amount of such excess.

All funds referred to in Subsections (A), (B), (C) and (D) above may be invested in direct obligations of or obligations which are fully guaranteed by the United States Government with such maturities so that monies shall be available in the respective Funds for the purposes for which same are established.

The Issuer covenants to the Registered Owners of the Series 2009 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 2009 Bonds at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 2009 Bonds, would have caused such Series 2009 Bonds to be arbitrage bonds. Upon the delivery of the Series 2009 Bonds the Secretary or Treasurer of the District will be authorized to execute a Non-Arbitrage Certificate prepared by Bond Counsel under which the District will covenant to conform the requirements of the Code, including the provisions thereof relating to rebate of "excess earnings" from the various funds established under this Resolution and other funds of the District to the extent same are applicable.

By the adoption of this Resolution the District hereby designates the Series 2009 Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of said Code.

The Treasurer of the Issuer shall be responsible for all of the various special Funds established by this Resolution and shall at all times be covered by a Fidelity Bond in accordance with the provisions of Section VIII of this Resolution.

Section XI. No Priority Among Bonds. That the Series 2009 Bonds shall not be entitled to priority one over the other in the application of the income and revenues of said System, or with respect to the security for their payment, regardless of the time or times of their issuance.

Section XII. General Covenants Issuer. The Issuer, through adoption of this Resolution, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 2009 Bonds, that so long as the same or any part thereof remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate said System on a revenue-producing basis and will permit no free services to be rendered or afforded thereby to any person, firm or corporation, including the Issuer.

(C) It will maintain the said System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided, and will make renewals and replacements, as the same may be desired, through application of revenues accumulated and set aside into the Depreciation Fund.

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except that if the Issuer shall determine by resolution that any identified properties of the System are worn out, obsolete, or otherwise no longer useful and needed, the same may be sold or exchanged as the Issuer may order, and if sold for cash, the proceeds shall be deposited in the Depreciation Fund and be available for any authorized purpose of said Fund.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System and the same shall be reasonable and just taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all the Outstanding Bonds and the Series 2009 Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the issuance of the Series 2009 Bonds, the Issuer will adopt a budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the Secretary of the District and furnish copies thereof to the Registered Owner of any Series 2009 Bond upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, and required payments into the Sinking Fund and Depreciation Fund. The Issuer covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the governing body of the Issuer determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the Issuer agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year and, to the extent that said gross revenues are insufficient to provide for all payments required to be made under Section X hereof during such ensuing fiscal year, it will revise its rates and charges for service rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Bonds herein authorized which shall not be reduced unless an independent, recognized, and reputable Independent Consulting Engineer not in the regular employ of the Issuer gives and files in the office of the Secretary of the District a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current bond service requirements, depreciation requirements, operation and maintenance requirements and their respective reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section X of this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, monies and funds of the Issuer and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution in the manner and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any Registered Owner, and any agent or representative of a Registered Owner. Additionally, if requested to do so by the original purchaser of the Series 2009 Bonds, said Issuer will furnish to such original purchaser a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section X hereof.

(I) It will, within sixty (60) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the Issuer on a monthly salary basis, showing all receipts and disbursements, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the office of the Secretary of the District where it will be available for public inspection, and will promptly mail a copy thereof to the Registered Owners. If requested to do so, the Issuer will furnish to any Registered Owner a condensed form of the Balance Sheet and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided.

(J) Any Registered Owner may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said Issuer and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of said System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of said Series 2009 Bonds, then upon the filing of suit by any Registered Owner of said Series 2009 Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the Issuer with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of

current expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The Issuer will cause each municipal officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the governing body of the Issuer, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid for monies available in the Operation and Maintenance Fund. In the event USDARD is the purchaser of the Bonds, USDARD shall be a co-obligee on said bond.

(M) It is permitted and provided by Sections 74.30 and 96.350 through 96.510 of the Kentucky Revised Statutes that any water district may finance the cost of construction of additions, extensions and improvements to its water distribution system by the issuance of revenue bonds, secured solely by the revenues of the System, and the Board of Commissioners of the District has so determined in regard to the Outstanding Bonds and Series 2009 Bonds.

Section XIII. Registered Owner's Rights to Enforce Covenants. Any Registered Owner of the Series 2009 Bonds, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said Issuer and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of said System including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Bonds or Series 2009 Bonds, then upon the filing of suit by any Registered Owner of any of said Outstanding Bonds or Series 2009 Bonds, any court having jurisdiction of the action may appoint a receiver to administer the said System on behalf of the Issuer, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with this Resolution and with the provisions of Sections 96.350 through 96.510 of Kentucky Revised Statutes. Reasonable attorneys fees and court costs incurred by any Registered Owner in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the System properties securing the Series 2009 Bonds herein authorized.

Section XIV. Special Covenants Applicable So Long As USDARD Holds Any Bonds. So long as the USDARD shall hold the any of the Series 2009 Bonds, the Issuer shall comply with such regulations, requirements and requests as have been made by the USDARD, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by the USDARD, the carrying of insurance of such types and in such amounts as the USDARD may specify with insurance carriers acceptable to USDARD, and compliance with all the terms and conditions of the Loan Resolution between the Issuer and USDARD.

In addition, so long as USDARD shall hold the any of the Series 2009 Bonds, the Issuer shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the security interest of the Registered Owner of any Series 2009 Bonds unless such defeasance is made on a "current" basis as defined in the Code.

Section XV. No Priority Among Series 2009 Bonds. The Series 2009 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 the Series 2009 Bonds authorized by this Resolution regardless of the fact that they may be actually issued in different series and delivered at different times.

Section XVI. Insurance.

(A) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level (including equipment and machinery but not including water reservoirs, standpipes, elevated tanks and non-combustible materials) the Issuer shall, upon the sale of the Series 2009 Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Series 2009 Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System, the Issuer shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(B) Liability Insurance on Facilities. Upon the sale of said Series 2009 Bonds, the Issuer shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2009 Bonds are outstanding public liability insurance relating to the operation of the facilities of the System with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the Issuer from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the Issuer's operations of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the Issuer owns or operates vehicles in the operation of the System upon receipt of the proceeds of the Series 2009 Bonds, the Issuer shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2009 Bonds are outstanding vehicular public liability insurance with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the Issuer from claims for bodily injury and/or death, and not less than \$20,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Issuer.

(D) Workmen's Compensation. The Issuer will carry suitable Workmen's Compensation coverage as required by the laws of the Commonwealth of Kentucky.

Section XVII. Additional Parity Bonds. The District covenants and agrees not to issue any other obligations of any kind payable in whole or in part from or secured by the revenues of the System except after meeting the conditions hereinafter set forth, unless the lien of such obligations is junior and subordinate in all respects to the lien in favor of the Registered Owners of the Series 2009 Bonds except only to the extent specifically authorized herein.

Said District hereby reserves the right and privilege of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity as to security and source of payment with the Outstanding Bonds and Series 2009 Bonds, subject to the conditions and restrictions set forth in the following lettered paragraphs of this Section:

(A) In the event the costs of construction or completion of the Construction Project, as is set out in the plans and specifications of the Engineers, and presently on file in the office of the District, shall exceed the estimated costs contained in said report, the District agrees to deposit into the Construction Account, in addition to any other funds deposited therein to cover the original estimated costs of the Construction Project, such funds as may be necessary to pay the excess costs not already provided for. If necessary, the District may provide such excess, and only such excess, through the issuance of Parity Bonds and the sale thereof.

(B) The District shall have the right to add new water facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues pledged to the Outstanding Bonds and Series 2009 Bonds, provided in each instance that:

1. The facility or facilities to be built for the proceeds of the additional Parity Bonds is or are made a part of such System and its or their revenues are pledged as additional security for the additional Parity Bonds, the Outstanding Bonds and the Series 2009 Bonds;

2. The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds and Series 2009 Bonds payable from the revenues of the System or any part thereof;

3. The annual net revenues, defined as gross revenues less current expenses, of such System for the fiscal year next preceding the issuance of additional Parity Bonds, are certified by an independent public accountant, to have been equal to at least one and one-twenty hundredths (1.20) times the average annual requirements for principal and interest on all Bonds, including the Outstanding Bonds, the Series 2009 Bonds, and any additional Parity Bonds then outstanding and payable from the revenues of the System;

4. The District shall adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in the provisions establishing said Sinking Fund and by this Resolution in order to reflect the required annual debt service requirements on the additional Parity Bonds.

5. The District shall adjust the maximum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Fund by the Resolutions authorizing the Outstanding Bonds and Series 2009 Bonds, taking into account the future replacement costs of the facilities to be constructed and acquired with the proceeds of such additional Parity Bonds.

6. Such additional Parity Bonds shall be payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 of each year until the final maturity of such additional Parity Bonds.

7. The District has obtained the written consent of USDARD for the issuance of such Parity Bonds if USDARD is the Registered Owner of any of the Series 2009 Bonds at the time of the issuance of such Parity Bonds or the written consent of the Registered Owners of 75% in principal amount of the Outstanding Bonds and Series 2009 Bonds if same are not then held by USDARD.

Section XVIII. Contractual Nature of Bond Resolution. The provisions of this Resolution shall constitute a contract between the Issuer and the Registered Owners of the Series 2009 Bonds; and after the issuance of any of said Series 2009 Bonds no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of said Series 2009 Bonds and the interest thereon have been paid or provided for in full; provided the Issuer may enact other resolutions 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, subject to the condition that this Resolution shall not be so modified in any manner that may adversely affect the rights of any certain Registered Owners without similarly affecting the rights of the Registered Owners of all Series 2009 Bonds.

Section XIX. Sale of Bonds. The Secretary of the District is hereby authorized and directed to cause notice for bids for the purchase of said Series 2009 Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Series 2009 Bonds, to be sold, the time of sale and other details concerning the Series 2009 Bonds and shall inform prospective bidders that a copy of the Official Notice of Sale of Bonds, setting out the maturities, security of the Series 2009 Bonds, provisions as to redemption prior to maturity, and related information may be obtained from the Issuer. Such Official Notice shall contain the following bidding requirements:

(A) Bidders are required to bid a cash price of not less than par value of the Series 2009 Bonds.

(B) Interest rates must be in multiples of 1/8 or 1/20 of 1%, with not more than one interest rate per maturity being stipulated by any bidder.

(C) Bids will be considered only for the entire issue.

(D) Bidders 's (except the USDARD) are required to make a good faith deposit by cashier's check or certified check payable to the Issuer, which check shall accompany the bid, in the minimum amount of 2% of the face amount of the Bonds. Checks of the unsuccessful bidders will be returned promptly after being opened.

(E) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Series 2009 Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to final maturity.

(F) Bidders shall be advised that USDARD has entered into a Loan Resolution with the Issuer pursuant to which said USDARD reserves the right to withdraw its bid in the event bids are received from others on terms which USDARD considers reasonable.

(G) The Issuer expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the Series 2009 Bonds at the office of the Secretary of the District within forty-five (45) days after notice is given of the award. If said Series 2009 Bonds are not ready for delivery and Payment within forty-five (45) days from the aforesaid date of sale, the successful bidder(s) shall be relieved of any liability to accept delivery of any of the 2009 Bonds. In the event USDARD is the successful bidder, it is anticipated that delivery of the Series 2009 Bonds will be

made at the time the Construction Project is substantially complete and the Issuer's failure to deliver said Series 2009 Bonds within forty-five (45) days from said date of sale shall not relieve USDARD of its obligation to accept said Series 2009 Bonds.

(H) The Issuer reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The Series 2009 Bonds will be tendered within said forty-five (45) day period and the successful bidder will receive the approving legal opinion of Reed & Johnson, Bond Counsel, Louisville, Kentucky, as to the legality and tax-exemption of said Series 2009 Bonds, without additional cost to the successful bidder,

In the event that there is no bid or that all bids are rejected, the Issuer may re-advertise the sale pursuant to this Resolution.

Section XX. Approval and Acceptance of USDARD Grant Agreement. As set out in preamble hereto, USDARD has agreed to make a grant to the District in the amount of \$608,000 in order to supplement the proceeds of the Series 2009 Bonds in order to provide the total cost of the Water Construction Project, and USDARD has requested that the District approve, accept and execute a certain USDARD Grant Agreement setting out the terms and conditions upon which said Grant will be made. Said Grant Agreement 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 Water Construction Project and to execute any and all Grant Agreements and any other documents as may be requested by the Grantor in connection with said Grants which have been and/or which may hereafter be approved for such Construction Project; including the KIA Grant.

Section XXI. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. 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 Construction 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 USDARD Letter of Conditions (USDARD Form 442-46).
- (D) Loan Resolution (USDARD Form 442-47).
- (E) Agreement for Engineering Services with the Engineers.
- (F) Water Purchase Agreement with Columbia/Adair County Water Commission.
- (G) Grant Agreement with USDARD.
- (H) Grant Agreement with Kentucky General Assembly.
- (I) Grant Agreement with Economic Development Administration.

Section XXII. Floodplain Construction Prohibited. From and after the adoption of this Resolution no water service provided by the System shall be made available to any future customer wishing to build within a designated flood plain, including the area served by the Construction Project. Notwithstanding the foregoing, nothing herein shall be construed as a prohibition against the District providing water service to users of the System existing at the time this Resolution is adopted.

Section XXIII. 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 XXIV. Effective Date of Resolution. Upon the receipt of the approval of the Public Service Commission of Kentucky this Resolution shall take effect from and after its passage and approval.

Passed and adopted on July 9, 2009.

ADAIR COUNTY WATER DISTRICT


Chairman

ATTEST:



Secretary/Treasurer

CERTIFICATE

I, the undersigned, Secretary/Treasurer of the Adair County Water District hereby certify that the foregoing is a true copy of a Resolution of the Board of Water Commissioners of the Adair County Water District passed and adopted at a Meeting held on the 9th day of July, 2009.

Witness my hand as Secretary/Treasurer this 9th day of July, 2009.

ADAIR COUNTY WATER DISTRICT


Secretary/Treasurer

COMMONWEALTH OF KENTUCKY
COUNTY OF ADAIR
ADAIR COUNTY WATER DISTRICT
WATER REVENUE BOND ANTICIPATION NOTE, SERIES OF 2009

DATE OF ISSUE _____

BAN No. _____

\$ _____

The Adair County Water District, Adair County, Kentucky, (the "Issuer" or "District") acting by and through its governing body under authority of Sections 74.370, 96.350 through 96.510 and Sections 58.150 and 56.513 of the Kentucky Revised Statutes (the "Act") for value received hereby promises to pay to **FIRST & FARMERS NATIONAL BANK, INC.**, 112 Burkesville Street, Columbia, Kentucky 42728, the Registered Owner hereof, the principal sum of _____ DOLLARS (\$ _____) on or before the 1st day of July, 2010 (the "Due Date") and to pay interest on said principal sum calculated at an annual rate of two and ninety-five one hundredths percent (2.95%) per annum due and payable on said Due Date.

This Note has been authorized pursuant to the provisions of a Resolution passed and adopted by the governing body of the Issuer authorizing the issuance of \$1,100,000 of the Issuer's Water Revenue Bonds, Series of 2009 (the "Bonds") for the purpose of providing interim financing to be applied solely toward the costs incident to the construction of additions, extensions and improvements to the Water Distribution System of the Issuer (the "System") and the costs incident to the issuance of this Note, under and in strict conformity with the Constitution and Statutes of the Commonwealth of Kentucky, including the Act.

This Note does not constitute an indebtedness of said Issuer within the meaning of any Constitutional or statutory provision or limitation and is payable solely from and is secured by (i) the proceeds of other interim financing loans made in anticipation of the issuance of such Bonds, or (ii) the proceeds derived from the issuance of the Bonds.

The Issuer covenants with the Registered Owner of this Note that at a proper time or times during the construction of the additions, extensions and improvements to the System, or upon the completion thereof, but in no event later than the Due Date, the Issuer will take all proper and necessary action under existing statutory authority and in accordance with law, to issue and deliver its Bonds in a principal amount sufficient to pay all costs incident to the construction of said improvements to said System and to pay the principal and interest on this Note; said Bonds to be awarded and delivered to the successful purchaser following the publicly advertised, competitive sale thereof in ample time to pay principal and interest requirements of said Notes when due.

The Issuer covenants with the Registered Owner of this Note that when the Proceeds of said Bonds are received, the same will be simultaneously deposited in a special escrow account upon such terms as will provide that an escrow agent shall pay from said proceeds the principal and interest, if any, then due on this Note, as a first charge upon said Bond proceeds.

Notwithstanding anything contained herein to the contrary, this Note is subject to payment prior to its stated maturity at any time, without penalty or premium. Such redemption may be accomplished from funds available from (i) the proceeds of such Bonds, or (ii) the proceeds of other interim financing loans made in anticipation of the issuance of such Bonds. At the time stated for redemption, the Registered Owner hereof shall present said Note to the District and shall receive the principal amount hereof, plus interest accrued at the stated rate hereon to the date of redemption.

Pursuant to the statutes authorizing the issuance hereof, this Note and the receipt of interest hereon, are exempt from all taxation by the Commonwealth of Kentucky and all of its subdivisions, municipalities and taxing authorities.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance and delivery of this Note, do exist, have happened and have been performed according to law; that the provisions have been made for the payment of the principal hereof and the interest hereon from the proceeds of the proposed issue of Bonds and other alternative sources identified herein.

IN TESTIMONY WHEREOF, the Adair County Water District of Adair County, Kentucky, acting by and through its governing body, has caused this Revenue Bond Anticipation Note to be executed in its name and on its behalf by the manual signature of its Chairman, by the impression of the seal of the District hereon, attested by the manual signature of its Secretary-Treasurer, all being done on the _____ day of _____, _____.

ADAIR COUNTY WATER DISTRICT

By _____
Chairman

ATTEST:

Secretary-Treasurer

(Seal of District)

AMENDED WATER RATE RESOLUTION

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF ADAIR COUNTY WATER DISTRICT AMENDING RATES AND CHARGES FOR WATER SERVICE PROVIDED BY THE DISTRICT.

WHEREAS, Adair County Water District (the "District") is required to apply to the Kentucky Public Service Commission ("PSC") for a Certificate of Public Convenience and Necessity authorizing and permitting said District to construct water distribution system improvements (the "Bypass Project"), and,

WHEREAS, the District proposes to finance said Bypass Project through the issuance of \$1,100,000 of the District's "Water Revenue Bonds, Series of 2009," (the "Bonds") by the issuance thereof to the United States Department of Agriculture, Rural Development ("USDARD") supplemented by a USDARD Grant in the amount of \$608,000 and a Kentucky General Assembly Grant in the amount of \$292,000 and an Economic Development Administration ("EDA") Grant in the amount of \$1,500,000, and,

WHEREAS, the District will apply to the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity and approval of a Schedule of Rates and Charges for water service in accordance with a certain USDARD Letter of Conditions dated October 20, 2008, Amended by Letter of Conditions dated June 18, 2009, setting forth the conditions for the USDARD Loan:

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF WATER COMMISSIONERS OF THE ADAIR COUNTY WATER DISTRICT AS FOLLOWS:

1. That subject to PSC approval commencing with the billing period corresponding to the month of September, 2009, the District's rates and charges for water service shall be as follows:

<u>Gallonge Block</u>	<u>Existing Rate per Gallon</u>	<u>New Rates per Gallon</u>
5/8" x 3/4" Meter Size:		
First 2,000 gallons	\$14.85 Minimum Bill	\$15.35 Minimum Bill
Next 3,000 gallons	5.70 per 1,000 gallons	5.75 per 1,000 gallons
Next 5,000 gallons	4.95 per 1,000 gallons	5.00 per 1,000 gallons
Next 15,000 gallons	3.85 per 1,000 gallons	3.90 per 1,000 gallons
All Over 25,000 gallons	3.10 per 1,000 gallons	3.15 per 1,000 gallons
1" Meter Size (Residential & Non-Residential Out-of-Town):		
First 5,000 gallons	\$31.65 Minimum Bill	\$32.60 Minimum Bill
Next 5,000 gallons	4.95 per 1,000 gallons	5.00 per 1,000 gallons
Next 15,000 gallons	3.85 per 1,000 gallons	3.90 per 1,000 gallons
All Over 25,000 gallons	3.10 per 1,000 gallons	3.15 per 1,000 gallons
1 1/2" Meter Size (Non-Residential Out-of-Town):		
First 10,000 gallons	\$55.90 Minimum Bill	\$57.60 Minimum Bill
Next 15,000 gallons	3.85 per 1,000 gallons	3.90 per 1,000 gallons
All Over 25,000 gallons	3.10 per 1,000 gallons	3.15 per 1,000 gallons
2" Meter Size (Non-Residential Out-of-Town):		
First 16,000 gallons	\$78.40 Minimum Bill	\$81.00 Minimum Bill
Next 9,000 gallons	3.85 per 1,000 gallons	3.90 per 1,000 gallons

All Over 25,000 gallons 3.10 per 1,000 gallons 3.15 per 1,000 gallons

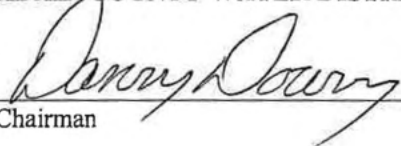
2. That all other rates and charges not specifically mentioned herein shall remain as presently effective.

3. That all resolutions or parts thereof of the District in conflict with the provisions of this Resolution are hereby repealed to the extent of such conflict.

4. That this Resolution shall become effective upon its adoption and the District's receipt of approval of the Public Service Commission.

Passed and adopted this 9th day of July, 2009.

ADAIR COUNTY WATER DISTRICT


Chairman

Attest:


Secretary/Treasurer

CERTIFICATE

I, the undersigned, duly authorized and acting Secretary/Treasurer of the Adair County Water District hereby certify that the foregoing is a true and correct copy of an Amended Water Rate Resolution passed and adopted by the Board of Water Commissioners of the District by 5 voting for and 0 voting against said adoption, at a regular meeting held on the 9th day of July, 2009 at which a quorum was present and voting throughout said meeting.

Dated this 9th day of July, 2009.

ADAIR COUNTY WATER DISTRICT



Secretary/Treasurer

EXHIBIT G.2

A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF THE ADAIR COUNTY WATER DISTRICT AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE DISTRICT'S WATER SYSTEM; AUTHORIZING THE ISSUANCE OF \$1,459,000 OF THE DISTRICT'S WATER REVENUE BONDS, SERIES OF 2012, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE DISTRICT'S WATER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

WHEREAS, it is permitted and provided by Sections 74.370 and 96.350 through 96.510 of the Kentucky Revised Statutes that any water district may finance the costs of construction of additions, extensions and improvements to its water distribution system by the issuance of revenue bonds, secured solely by the revenues of the system, and the Board of Commissioners of the Adair County, Kentucky, Water District (the "District") has so determined; and

WHEREAS, the District has determined it is necessary and desirable to construct additions, extensions and improvements to its water distribution System (the "Construction Project" or "Phase II of the Columbia Downtown Project"); and

WHEREAS, in order to assist in financing the Construction Project the District is to receive a Grant in the amount of approximately \$595,000 from the United States of America, acting through the U.S. Department of Agriculture, Rural Development ("USDARD"), and a loan from USDARD in the amount not to exceed \$1,459,000 to be represented by the District's Water Revenue Bonds, Series of 2012 (the "Bonds") hereinafter identified which are to be sold to USDARD in the event bids are not received from others for said Bonds on a basis USDARD considers reasonable, and

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE ADAIR COUNTY, KENTUCKY, WATER DISTRICT AS FOLLOWS:

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

"Additional Bonds" means bonds issued in the future payable from the income and revenues of the System which may or may not rank on the basis of parity as to security and source of payment with the Series 2012 Bonds.

"Beginning Month" means the month following the month in which the Construction Project is completed, as certified by the Engineers.

"Bonds" or "Series 2012 Bonds" means any of the bonds payable from the income and revenues of the system authorized by this Resolution, specifically the \$1,459,000 Adair County, Kentucky, Water District Water Revenue Bonds, Series of 2012.

"Bond Fund" or "Sinking Fund" means the "Adair County, Kentucky Water District Water Revenue Bond and Interest Sinking Fund of 1974" established pursuant to the provisions of the Resolution authorizing the Series 1974 Bonds and constituting the sinking fund or debt service fund for Series 1974 Bonds as well as the other Outstanding Bonds payable from the income and revenues of the System.

"Bond Anticipation Note" or "Notes" means the obligations of the District authorized by this Resolution to provide interim financing or multiple advances pending the delivery of the Series 2012 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Board of Water Commissioners of the District.

"Construction Account" means the "Adair County Water District Water System Construction Project Account of 2012" established under the provisions of this Resolution for the purpose of accounting for the disbursements for the Construction Project from the proceeds of the District's Bond Anticipation Notes and/or Series 2012 Bonds and Grant proceeds.

"Construction Project" or "Extension Project" or "Phase II of the Columbia Downtown Project" means the construction of the extensions, additions and improvements to the District's Water System, which construction is being financed in part by the Series 2012 Bonds herein authorized.

"Date of Closing" means the date upon which the Series 2012 Bonds are delivered to the successful purchaser.

"Depository Bank" means a bank or trust company which shall serve as the depository of all of the various funds created or referred to in this Resolution which is a member of the FDIC.

"District" means Adair County, Kentucky, Water District, doing business as Columbia/Adair Utilities District.

"Engineer" or "Engineers" means the Engineers, or may one of them, who prepared the plans and specifications for the Construction Project and who shall supervise the construction thereof, and shall be deemed to refer to the firm of Monarch Engineering, Inc., Lawrenceburg, Kentucky.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fully Registered Bond" shall refer to a single bond or a series of negotiable bonds (subject to the transfer provisions) payable only to the Registered Owner or Owners in substantially the same form set forth as Exhibit A to this Resolution; fully registered as to both principal and interest.

"Independent Consulting Engineer" means an independent Consulting Engineer or firm of Engineers of recognized excellent reputation in the field of water system engineering and such definition includes the Engineers named above.

"Issuer" means the District.

"PSC" means the Public Service Commission of Kentucky.

"KIA Loan Fund" means the separate and special fund established by the District to provide for the payment of the principal and interest requirements on the Loan to the District from the Kentucky Infrastructure Authority ("KIA") under an Assistance Agreement.

"KRS" means the Kentucky Revised Statutes.

"KRWFC" means the Kentucky Rural Water Finance Corporation, a cooperative of Kentucky water districts established for the purpose of providing interim financing for construction projects of water districts.

"Original Purchaser" means the agency, person, firm or firms to which or to whom the Series 2012 Bonds herein authorized are awarded at the Public sale of said Series 2012 Bonds, or their successors, and such definition shall include USDARD if it is the original purchaser of said Series 2012 Bonds.

"Outstanding Bonds" means (i) the Adair County Water District Waterworks Revenue Bonds of 1974; (ii) the Adair County Water District Waterworks Revenue Bonds of 1978; (iii) the Adair County Water District Water Revenue Bonds, Series of 1985; (iv) the Adair County Water District Water Revenue Bonds, Series of 1989; (v) the Adair County Water District Water Revenue Bonds, Series of 1992; (vi) the Adair County Water District Water Revenue Bonds, Series of 1995; (vii) the Adair County Water District Water Revenue Bonds, Series of 1998; (viii) the Adair County Water District Water Revenue Bonds, Series of 2002; (ix) the Adair County Water District Water Revenue Bonds, Series of 2004; (x) the Adair County Water District Water Revenue Bonds, Series of 2007; and (xi) the Adair County Water District Water Revenue Bonds, Series of 2009.

"Parity Bonds" means bonds issued in the future ranking on the basis of parity as to security and source of payment with the Outstanding Bonds and Series 2012 Bonds.

"Registered Owner" "bond," "owner" "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "Registered Owner" means and contemplates, unless context otherwise indicates, the Registered Owner or Owners or holders of the Fully Registered Bonds at the time issued and outstanding hereunder, or any of them.

"System" means the water distribution System of the District.

"USDARD" means the United States of America, acting through the U.S. Department of Agriculture Rural Development.

"USDARD Grant" means the Grant to the District for the Construction Project from United States of America, acting through the U.S. Department of Agriculture, Rural Development in the amount of \$595,000.

"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 II. Approval of Public Service Commission of Kentucky as Prerequisite to Financing: That in order for the District to finance the Construction Project through the issuance of its Bonds, pursuant to the provisions of Chapter 278 of the Kentucky Revised Statutes, the District constitutes a "utility" within the definition of said Chapter and is subject to the jurisdiction of the Public Service Commission of Kentucky and the prior approval of said PSC in accordance with KRS 278.023 is required in regard to the Construction Project and the financing therefor. Accordingly, the Chairman or Secretary of the District is authorized to file a copy of this Resolution and accompanying appropriate documentation in accordance with the provisions of KRS Chapter 278 in order that the District may obtain a Certificate of Public Convenience and Necessity from said Public Service Commission of Kentucky.

Section III. Construction of Extensions, Additions and Improvements; Declaration of Period of Usefulness: The Issuer shall construct the extensions, additions and improvements referred to herein as the Construction Project which is generally described in the plans, specifications and report prepared by the Engineers now on file with the Secretary of the Issuer and PSC, and shall operate said System as a revenue-producing project under the provisions of the Constitution of Kentucky and Chapters 74 and 96 of Kentucky Revised Statutes.

The Issuer hereby declares that the period of usefulness of the entire System is more than forty (40) years from the date of completion of the "Construction Project." All of the streets, alleys and rights-of-way within the jurisdiction of the District are hereby, to the extent required, dedicated to the use of the System.

Section IV. Authorization of Series 2012 Bonds: It has been heretofore determined by the Issuer that the total cost of the construction of the extensions, additions and improvements to the System, including preliminary expenses, land and rights-of-way, engineering expense, interest during construction, legal and administrative expense, publication costs and all necessary and incidental expenses thereto will not exceed approximately \$2,054,000, and after deducting the \$595,000 of USDARD Grant proceeds, it is necessary that the Issuer authorize and issue \$1,459,000 of Water Revenue Bonds, Series of 2012, for the purpose of financing the costs, not otherwise provided, of the aforesaid extensions, additions and improvements under the provisions of Sections 74.370 and 96.350 through 96.510 of Kentucky Revised Statutes. There are hereby authorized to be issued and sold One Million Four Hundred Fifty-Nine Thousand Dollars (\$1,459,000) principal amount of "Adair County (Kentucky) Water District Water Revenue Bonds, Series of 2012". All of said Series 2012 Bonds shall be dated as of the date of delivery to the purchaser thereof, and shall bear interest from such date at a rate or rates as may be fixed by supplemental Resolution as a result of the advertised sale and competitive bidding for said Series 2012 Bonds, as hereinafter provided, and shall be issued and delivered only according to the "Form of Fully Registered Bond," as hereinafter prescribed.

Interest 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.

Said Bonds shall mature as to principal on January 1 of each of the respective years of maturity. The purchaser(s) of said Bonds shall have the right to elect that such Bonds be issued in denominations of from \$500 to \$1,459,000, in multiples of \$500, consistent with the schedule of principal maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, SERIES 2012 BONDS

<u>Maturity Date</u>	<u>Principal</u>
January 1, 2014	24,000
2015	24,500
2016	25,000
2017	26,000
2018	26,500
2019	27,000
2020	27,500
2021	28,500
2022	29,000
2023	29,500
2024	30,500
2025	31,000
2026	32,000
2027	32,500
2028	33,500
2029	34,000
2030	35,000
2031	36,000
2032	36,500
2033	37,500
2034	38,500
2035	39,500
2036	40,500
2037	41,500
2038	42,500
2039	43,500
2040	44,500
2041	45,500
2042	46,500
2043	47,500
2044	48,500
2045	50,000
2046	51,000
2047	52,000
2048	53,500
2049	54,500
2050	56,000
2051	57,500

Section V. Provisions for Prepayment of Principal. Principal installments due on the Bonds on or after January 1, 2015 shall be subject to prepayment, in whole or in part, on January 1, 2014 and on any interest payment date thereafter, in multiples of \$500 in inverse chronological order of installments, upon terms of the principal amount to be prepaid, plus accrued interest to the date of prepayment but without prepayment penalty.

In the event the Issuer elects to prepay less than all of the Bonds, it shall exchange with the Registered Owner at the expense of the Issuer a new Bond or Bonds representing the correct unpaid principal balance following the partial prepayment. Notwithstanding the foregoing, in the event USDARD is the Registered Owner of Bonds upon which a prepayment is made, the Issuer shall not be required to exchange its new Bonds as indicated in the preceding sentence.

Notice of prepayment shall be given by regular United States mail to the Registered Owner of the Bonds to be prepaid not less than thirty (30) days prior to the date fixed for prepayment. All principal payments as to which the Issuer

exercises the right of redemption and as to which notice shall have been given, and for the prepayment of which, upon the terms aforesaid, funds are duly provided, shall cease to bear interest on the redemption date so designated.

Notwithstanding any of the foregoing provisions as to prepayment Series 2012 Bonds may be redeemed at any time from the proceeds of said Bonds remaining unused at the time the Construction Project is completed upon thirty (30) days written notice to the Registered Owner.

Section VI. Series 2012 Bonds Payable From System Revenues; Statutory Mortgage Lien Created. All of said of said Series 2012 Bonds, together with the interest thereon, and any additional parity bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely and only out of the "Adair County Water District Water Revenue Bond and Interest Sinking Fund of 1974" (the "Bond Fund"), established under the provisions of the Resolution authorizing the Outstanding Bonds and shall be a valid claim of the Registered Owners only against such Bond Fund and the System revenues pledged to said Bond Fund, in accordance with the provisions of Chapter 74 and 96 of Kentucky Revised Statutes.

That in accordance with Provisions of KRS 96.400, in addition to the pledge of the income and revenues of the System made to secure the Bonds, the District hereby acknowledges the existence of the statutory mortgage lien upon the System and all appurtenances and extensions thereto in favor of the owners of the Bonds.

The System, together with all extensions and appurtenances, shall remain subject to the statutory mortgage lien created by KRS 96.400 until the payment in full of the principal and interest on the Series 2012 Bonds and any Registered Owner of the Outstanding Bonds or Series 2012 Bonds may, by action at law or in equity, protect and enforce the lien and compel the performance of all duties required by KRS 96.350 through 96.510, and KRS 58.010 through 58.140, including the making and collecting of sufficient rates, the segregation of the income and revenues of the System, and the application thereof of the payment of the Outstanding Bonds and Series 2012 Bonds.

Section VII. Form of Fully Registered Bonds; Execution Authorized. Said Fully Registered Bonds referred to herein shall be in substantially the same form as set form in Exhibit A to this Resolution, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Resolution. The Fully Registered Bonds shall be of a type and composition shall be on paper of sufficient weight and strength to prevent deterioration until the last principal installment due thereon and shall conform in size to standard bond practices.

The Fully Registered Bonds shall be executed by the manual signature of the Chairman, impressed with the corporate seal of the Issuer and attested by the manual signature of the Secretary.

The Registered Owner of any Fully Registered Bonds shall have the right, upon written request to the Issuer and within ninety (90) days following such request, at the expense of the Registered Owner, to exchange Fully Registered Bonds for other Fully Registered Bonds in denominations selected by the Registered Owner in multiples of \$500 consistent with the schedule of principal maturities of said Series 2012 Bonds. New Bonds shall be so issued and substituted only for and upon surrender to the Issuer of the corresponding Bonds so exchanged which shall then be immediately canceled by the Treasurer of the Issuer.

Section VIII. Interim Financing; Bond Anticipation Notes. The Issuer and USDARD have entered into a Loan Resolution whereby USDARD has agreed to purchase the Series 2012 Bonds herein authorized in the event the Issuer is unable to sell said Series 2012 Bonds (to obtain credit elsewhere) at reasonable rates and terms taking into consideration prevailing private and corporate rates and terms in the community in accordance with USDARD Regulations. Under the terms of USDARD Regulations, delivery of the Series 2012 Bonds herein authorized and the receipt of the purchase price therefor will not be accomplished until the Construction Project is substantially complete. Therefore, in order to facilitate the completion of the Construction Project pending the issuance and delivery of the Bonds herein authorized, there are hereby authorized to be executed and delivered for the purpose of providing funds for the expenses of the Construction Project incurred in the interim period from the date of the sale of said Series 2012 Bonds until the issuance and delivery of the Series 2012 Bonds "Adair County (Kentucky) Water District Water Revenue Bond Anticipation Notes, Series of 2012" in the aggregate principal amount of \$1,459,000 (hereinafter sometimes referred to as the "Bond Anticipation Notes").

The procedure for the execution of said Bond Anticipation Notes and the disbursement of the proceeds thereof shall be strictly in accordance with the terms of this Resolution and as set forth in this Section VIII.

There is hereby created a special and separate account of the Issuer which shall be designated as the "Adair County, Kentucky, Water District Water System Construction Project Account of 2012" (hereinafter sometimes referred to as the "Construction Account"). Said Construction Account shall be established with the Depository Bank and any deposit in said Construction Account in excess of FDIC insurance coverage shall be secured by the Depository Bank in accordance with U.S. Treasury Department Circular No. 176 by a pledge of collateral with a Federal Reserve Bank. Pending the issuance and delivery of the Bonds all monies received in connection with the Construction Project from the Grant from USDARD, the proceeds of Bond Anticipation Notes or the District's Contribution shall be deposited in said Construction Account and shall be applied to meet the costs incident to said Construction Project pending the delivery of the Bonds.

The Engineers shall prepare one or more Estimate of Funds Needed, which will show the amount of funds needed during the 30-day period following the submission of such estimate (RD Form 440-11), and which Estimates shall be executed by a representative of said Engineers in charge of the Construction Project, stating that the amount requested under said Estimate represents an estimated sum to be earned by and due to contractors under contracts with the Issuer for work performed or materials furnished in connection with said Construction Project. Each Estimate of Funds Needed shall be countersigned by the Chairman and approved by USDARD. In regard to items of expense in connection with the Construction Project not relating to construction contracts, the Engineer's executions of the Estimate of Funds shall not be necessary and an Estimate of Funds for projected expenses of this type shall be signed only by the Chairman and approved by the duly authorized representative of USDARD.

The Estimate of Funds Needed (properly countersigned) shall be submitted to the Chairman and Secretary, who, upon the receipt thereof, shall be authorized to execute a Bond Anticipation Note or Notes in accordance with the terms of this Resolution in the aggregate amount represented by the Estimate of Funds submitted.

Upon the execution of the Bond Anticipation Notes, same shall be delivered to the purchaser thereof, whether said purchaser be a bank or USDARD, and the proceeds received therefrom shall be deposited in the Construction Account and disbursed from said Account in accordance with the terms of this Resolution.

All requests for disbursements from the Construction Account shall be accompanied by one or more vouchers (Partial Payment Estimates, RD Form 1924-18) executed by a representative of the Engineers in charge of said Construction Project certifying that the amount requested represents a sum actually earned by and due to contractors under a contract with the Issuer for work performed or for materials furnished to the Issuer in connection with said Construction Project. Each such voucher shall likewise be countersigned by the Chairman and approved by the duly authorized representative of USDARD. To the extent a requested disbursement from said Construction Account shall be for items not relating to construction contracts, a voucher (in a form satisfactory to USDARD) for such disbursement signed only by the Chairman and approved by the duly authorized representative of USDARD shall be submitted stating that the requested advance represents an expenditure which may be properly made under the terms of the USDARD Loan Resolution and is eligible for payment by the Issuer from the proceeds of the Bonds herein authorized.

Disbursements from the Construction Account shall be made by check signed by the Treasurer of the Issuer countersigned by the duly authorized representative of USDARD (if so required by USDARD) and shall be made only upon the Treasurer's receipt of such voucher.

Notwithstanding anything contained in this Resolution to the contrary, no disbursements shall be made from the Construction Account nor shall any Bond Anticipation Notes be issued and delivered unless and until the Issuer has certified and USDARD has accepted the existence of not less than 5,900 existing water users of the System.

The position of Treasurer of the Issuer shall be covered by a Fidelity Bond in the amount of not less than \$455,000 with a surety company approved by USDARD; the Issuer and USDARD shall be named Co-obligees in such Bond, and the amount thereof shall not be reduced without the written consent of USDARD. Should the aggregate total of the deposits in the various accounts authorized to be maintained under the provisions of this Resolution equal more than \$455,000 at any one time during the year the Fidelity Bond of the Treasurer of the Issuer will be increased to cover the larger amount so accumulated; including the period during which the Construction Account is being utilized.

The Bond Anticipation Notes shall be in substantially the same form as the Bond Anticipation Note attached to and made a part of this Resolution and marked for identification as Exhibit B. The Chairman and Secretary are hereby authorized to execute said Notes periodically but in an aggregate principal amount not to exceed \$1,459,000 upon their receipt of the duly executed Estimate of Funds in accordance with the preceding paragraphs of this Section.

Said Bond Anticipation Notes shall be dated as of the date of the execution thereof and shall bear interest payable at maturity. The principal maturity date for all of said Notes shall be on or before not more than three (3) years from the date this Resolution is adopted. All of said Notes shall be subject to payment prior to their stated maturity, with or without penalty or premium, as the Board of Commissioners may determine, on any interest payment date upon ten (10) days' written notice of such prior redemption to the Registered Owner thereof.

Notwithstanding the foregoing procedure for the issuance of Bond Anticipation Notes and as an alternative procedure, upon the solicitation of bids from not less than two responsible lenders and a determination that it is in the best interests of the District, said Bond Anticipation Notes may be sold to the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to the terms of a Loan Agreement between KRWFC, as lender, and the District, as borrower. In the event of a sale of the Notes to KRWFC, said Notes may be issued in the form of a single, fully registered Note in the principal of \$1,459,000 or such lesser amount as the District may determine necessary and the interest due on said Notes in accordance with the sale to said KRWFC may be deducted from the proceeds of said Notes upon their delivery and deposited with the Trustee for KRWFC under the Indenture pursuant to the terms of which KRWFC has issued its notes and thereafter transferred by said Trustee to the Construction Account herein established and disbursed in accordance with the provisions of this Section VIII. The District shall periodically submit a Requisition for Funds to the Trustee for KRWFC in order to effect transfers to the District's Construction Account and thereafter the Note proceeds shall be disbursed in accordance with the procedure for Partial Payment Estimates under vouchers contemplated by this Section. The Chairman and Secretary are hereby authorized to execute a Loan Agreement with KRWFC in order to effect said interim financing.

The Bond Anticipation Notes herein authorized shall be payable solely from and secured by (i) the proceeds derived from the issuance of the Series 2012 Bonds herein authorized, or (ii) the proceeds of other interim financing loans made in anticipation of the issuance of such Series 2012 Bonds.

Said Notes are authorized in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to KRS 58.150, KRS 56.513, KRS 96.350 through KRS 96.510 and KRS 58.010 through 58.140 of the Kentucky Revised Statutes.

The authority hereby delegated to the Chairman and Secretary in regard to the execution of a total aggregate principal amount of \$1,459,000 of Notes includes the execution of renewal notes in evidence of the renewal and extension of Notes becoming due, providing the aggregate of the principal amount of all such Bond Anticipation Notes outstanding and payable shall not exceed \$1,459,000 and providing any Note which is renewed or superseded is simultaneously canceled and transmitted to the Issuer. The maximum aggregate principal amount of Bond Anticipation Notes permitted by this Resolution shall include the interest on said Notes.

Notwithstanding anything contained in this Resolution to the contrary, the Issuer covenants that no Bond Anticipation Notes shall be issued and delivered unless and until the Bonds have been sold at public sale in accordance with law.

The Issuer further covenants simultaneously with the issuance and delivery of said Series 2012 Bonds to the successful purchaser, all amounts due, owing and unpaid on said Bond Anticipation Notes shall be repaid at said time of delivery, including principal and interest.

In the event there may from time to time be on deposit in said Construction Account funds which are not immediately needed for the payment of construction costs, same may be invested, but only in the manner permitted by USDARD; provided, however, that no deposit in said Construction Account or any other fund provided for hereunder shall be used or invested in any manner which would cause the Series 2012 Bonds to become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or any Regulations of the U.S. Treasury Department interpreting same.

Subsequent to the delivery of the Bonds and the payment in full of the Bond Anticipation Notes upon certification by the Engineers that the Construction Project is complete in accordance with the plans and specifications and all items of expense have been paid, the balance, if any, remaining in said Construction Account shall be transferred to the Bond Fund and said Construction Account shall be closed.

Section IX. Delivery of the Series 2012 Bonds; Payment of Bond Anticipation Notes; Disbursement of Series 2012 Bond Proceeds. Upon the delivery of the Series 2012 Bonds herein authorized, the following distribution of the

proceeds of said Series 2012 Bonds shall be made simultaneously with said delivery and receipt of payment (the "Date of Closing"):

(A) Simultaneously with the delivery of the Series 2012 Bonds, all amounts due and owing by the Issuer on interim construction loans evidenced by the Bond Anticipation Notes, including principal and interest, and prepayment premium, if any, shall be paid in full and the Notes canceled or Loan retired.

(B) After observing the priority of the disbursement set forth in subparagraph (A) above, and simultaneously with the delivery of the Series 2012 Bonds, the balance of the proceeds of said Bonds remaining after the payment of the expenses incident to their authorization and sale, shall be transferred to the Construction Account established by Section VIII of this Resolution.

Section X. Disposition of Water System Revenues. From and after the delivery of any of the Series 2012 Bonds authorized under the provisions of this Resolution, the System shall be operated on a fiscal year basis and on that basis all income and revenues derived directly or indirectly from the operation of said System shall be deposited promptly and as received first to the credit of a separate and special account known as the "Adair County Water District Water Revenue Fund" (the "Revenue Fund"), established by the Resolution authorizing the Outstanding Bonds. Such Revenue Fund shall be held separate and apart from all other funds of the Issuer and shall be maintained so long as any of the Outstanding Bonds and Series 2012 Bonds are outstanding and payment is not provided therefor. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(A) So long as any of the Series 2012 Bonds remain outstanding and payment is not provided for the separate and special account known as the "Adair County, Kentucky Water Revenue Bond and Interest Sinking Fund of 1974" (the "Bond Fund" or "Sinking Fund") established by the Resolution authorizing the Series 1974 Bonds shall be maintained. Commencing with the month following the month in which the Series 2012 Bonds are delivered, there shall be transferred from the Revenue Fund to the Bond Fund a monthly amount equal to the total of the following:

(1) A sum equal to one-twelfth (1/12) of the interest requirements becoming due on the Outstanding Bonds and Series 2012 Bonds on the next succeeding interest due date.

(2) A sum equal to one-twelfth (1/12) of the principal requirements becoming due on the Outstanding Bonds and Series 2012 Bonds on the next succeeding January 1.

Notwithstanding anything contained herein to the contrary, in the event that USDARD is the Registered Owner of the Series 2012 Bonds, then in the event USDARD so desires, payments to USDARD from the Bond Fund for interest and principal installments on the Series 2012 Bonds shall be made directly to USDARD on a monthly basis. The Issuer shall file the Electronic Funds Transfer Payment Enrollment Form (Form SF-3881) with USDARD in order to utilize the Electronic Funds Transfer/Automated Clearing House ("EFT/ACH") for all payments due USDARD pursuant to this Resolution. It is hereby provided further that so long as USDARD is the Registered Owner of the Series 2012 Bonds, monies on deposit in all of the various accounts established or affirmed by this Resolution shall be secured as required by USDARD Regulations.

(B) The separate and special account designated as the "Depreciation Reserve Fund" established by the Resolutions authorizing the Outstanding Bonds shall be maintained so long as any of the Outstanding Bonds and Series 2012 Bonds remain outstanding. There shall be transferred to the Depreciation Fund from the balance of the income and revenues of the System remaining after the transfers required in Subsection (A) to the extent of \$1,778 (formerly \$1,303) per month so long as the Series 2012 Bonds remain outstanding, which shall be utilized in making good any depreciation in the properties of said System, in financing extensions, additions or improvements to the System, or, in preventing a default in the payment of principal and interest requirements for the Series 2012 Bonds. Said required transfer stated above shall include transfers required under previous Resolutions authorizing the Outstanding Bonds.

There shall also be deposited in the Depreciation Fund proceeds from the sale of any equipment no longer usable or needed, fees or charges, if any, collected from potential customers, and the proceeds of any property damage insurance not immediately used to replace the damaged or destroyed property. Monies in the Depreciation Fund shall be used for making extraordinary maintenance repairs, renewals, or replacements to the System and for paying the cost of constructing improvements or extensions to the System which will either enhance the revenue producing capacity of the System or provide a higher degree of service, and no withdrawals shall be made for any other purposes; provided, however, that moneys on

deposit in the Depreciation Fund shall be available for the principal and interest requirements on the Outstanding Bonds and Series 2012 Bonds, if, for any reason, and whenever sufficient funds are not available in the Bond Fund.

If in any year the Issuer shall, for any reason, fail to pay into to said Bond Fund and Depreciation Fund the full amounts stipulated in Subsections (A) and (B), then an amount equivalent to one hundred ten percent (110%) of such deficiency shall be set apart and paid into said Funds from the first available income and revenues of the System in the following year or years, and said payments shall be in addition to the amount otherwise herein provided for said succeeding year or years. Upon compliance with the required deposits to the Bond Fund and Operation and Maintenance Fund any remaining funds shall be transferred to the Depreciation Fund

Monies on deposit in said Bond Fund and Depreciation Fund may be invested in direct obligations or guaranteed bonds or securities of the United States of America having a maturity date or being subject to redemption at the option of the holder not more than five (5) years from the date of the investment therein, and all such investments, as well as income therefrom, shall be carried to the credit of the Fund from which the investment was made.

(C) So long as any amounts are owed by the District to the Kentucky Infrastructure Authority, a separate and special account shall be maintained, designated as the "KIA Loan Fund" and after observing the priorities of the transfers set forth in Subsections A and B above, monthly transfers shall be made to said KIA Loan Fund from the Revenue Fund adequate to meet the principal and interest requirements of the KIA Loan in accordance with terms of the Assistance Agreement.

(D) The separate and special account designated as the "Operation and Maintenance Fund" established by the Resolutions authorizing the Outstanding Bonds shall be maintained so long as the Outstanding Bonds and the Series 2012 Bonds remain outstanding there shall continue to be transferred to the Operation and Maintenance Fund from the Revenue Fund the income and revenues of the System remaining after the transfers required under Subsections (A), (B) and (C) hereof for the purpose of providing for the proper operation and maintenance expenses of the System, including the expense of carrying sufficient insurance on the System of a character and in amounts as will properly insure the properties and, in addition, carrying liability insurance in character and amounts deemed necessary (all of which insurance shall be carried and maintained in effect) but not limited to such expenses. Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance expenses of such System are met and a two (2) month operating reserve is established and maintained.

Notwithstanding the foregoing requirements for transfers from the revenue fund to meet current operating expenses and maintain a two (2) month operating reserve, there shall be an additional monthly transfer to the Operation and Maintenance Fund in the sum of not less than \$3,477 (formerly \$2,612) which shall be segregated in a sub-account designated "short-lived asset account" which may be utilized to acquire, replace or repair short-lived assets necessary for the operation of the System.

Any funds remaining in such Operation and Maintenance Fund after meeting current expenses of operating such System, establishing the required operating reserve and short-lived asset account shall be transferred to the Revenue Fund and disbursed in accordance with the provisions of this Section until such time as the Sinking Fund and Depreciation Fund are current and the required balances established.

All transfers required by Subsections (A), (B), (C) and (D) above shall be made on the 1st day of each month unless such day be Sunday or a legal holiday, in which event such transfers shall be made on the next succeeding secular day.

All funds referred to in Subsections (A), (B), (C) and (D) above are to be deposited with a bank or banks which is a member or are members of the Federal Deposit Insurance Corporation and, to the extent the aggregate deposits of the Issuer in such bank or banks exceed FDIC coverage, shall be secured by a pledge of obligations of or obligations which are fully guaranteed by the United States Government having a market value equal to the amount of such excess.

All funds referred to in Subsections (A), (B), (C) and (D) above may be invested in direct obligations of or obligations which are fully guaranteed by the United States Government with such maturities so that monies shall be available in the respective Funds for the purposes for which same are established.

The Issuer covenants to the Registered Owners of the Series 2012 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 2012 Bonds at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 2012 Bonds, would have caused such Series 2012 Bonds to be arbitrage bonds.

Upon the delivery of the Series 2012 Bonds the Secretary or Treasurer of the District will be authorized to execute a Non-Arbitrage Certificate prepared by Bond Counsel under which the District will covenant to conform the requirements of the Code, including the provisions thereof relating to rebate of "excess earnings" from the various funds established under this Resolution and other funds of the District to the extent same are applicable.

The Treasurer of the Issuer shall be responsible for all of the various special Funds established by this Resolution and shall at all times be covered by a Fidelity Bond in accordance with the provisions of Section VIII of this Resolution.

Section XI. No Priority Among Bonds. That the Series 2012 Bonds shall not be entitled to priority one over the other in the application of the income and revenues of said System, or with respect to the security for their payment, regardless of the time or times of their issuance.

Section XII. General Covenants Issuer. The Issuer, through adoption of this Resolution, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 2012 Bonds, that so long as the same or any part thereof remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate said System on a revenue-producing basis and will permit no free services to be rendered or afforded thereby to any person, firm or corporation, including the Issuer.

(C) It will maintain the said System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided, and will make renewals and replacements, as the same may be desired, through application of revenues accumulated and set aside into the Depreciation Fund.

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except that if the Issuer shall determine by resolution that any identified properties of the System are worn out, obsolete, or otherwise no longer useful and needed, the same may be sold or exchanged as the Issuer may order, and if sold for cash, the proceeds shall be deposited in the Depreciation Fund and be available for any authorized purpose of said Fund.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System and the same shall be reasonable and just taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all the Outstanding Bonds and the Series 2012 Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the issuance of the Series 2012 Bonds, the Issuer will adopt a budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the Secretary of the District and furnish copies thereof to the Registered Owner of any Series 2012 Bond upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, and required payments into the Sinking Fund and Depreciation Fund. The Issuer covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the governing body of the Issuer determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the Issuer agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year and, to the extent that said gross revenues are insufficient to provide for all payments required to be made under Section X hereof during such ensuing fiscal year, it will revise its rates and charges for service rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Bonds herein authorized which shall not be reduced unless an independent, recognized, and reputable Independent Consulting Engineer not in the regular employ of the Issuer gives and files in the office of the Secretary of the District a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current bond service requirements, depreciation requirements, operation and maintenance requirements and their respective reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section X of this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, monies and funds of the Issuer and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution in the manner and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any Registered Owner, and any agent or representative of a Registered Owner. Additionally, if requested to do so by the original purchaser of the Series 2012 Bonds, said Issuer will furnish to such original purchaser a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section X hereof.

(I) It will, within sixty (60) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the Issuer on a monthly salary basis, showing all receipts and disbursements, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the office of the Secretary of the District where it will be available for public inspection, and will promptly mail a copy thereof to the Registered Owners. If requested to do so, the Issuer will furnish to any Registered Owner a condensed form of the Balance Sheet and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided.

(J) Any Registered Owner may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said Issuer and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of said System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal or interest on any of said Series 2012 Bonds, then upon the filing of suit by any Registered Owner of said Series 2012 Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the Issuer with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of current expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The Issuer will cause each municipal officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the governing body of the Issuer, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid for monies available in the Operation and Maintenance Fund. In the event USDARD is the purchaser of the Bonds, USDARD shall be a co-obligee on said bond.

(M) It is permitted and provided by Sections 74.30 and 96.350 through 96.510 of the Kentucky Revised Statutes that any water district may finance the cost of construction of additions, extensions and improvements to its water distribution system by the issuance of revenue bonds, secured solely by the revenues of the System, and the Board of Commissioners of the District has so determined in regard to the Outstanding Bonds and Series 2012 Bonds.

Section XIII. Registered Owner's Rights to Enforce Covenants. Any Registered Owner of the Series 2012 Bonds, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said Issuer and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of said System including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Bonds or Series 2012 Bonds, then upon the filing of suit by any Registered Owner of any of said Outstanding Bonds or Series 2012 Bonds, any court having jurisdiction of the action may appoint a receiver to administer the said System on behalf of the Issuer, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with this Resolution and with the provisions of Sections 96.350 through 96.510 of Kentucky Revised Statutes. Reasonable attorneys fees and court costs incurred by any Registered Owner in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the System properties securing the Series 2012 Bonds herein authorized.

Section XIV. Special Covenants Applicable So Long As USDARD Holds Any Bonds. So long as the USDARD shall hold the any of the Series 2012 Bonds, the Issuer shall comply with such regulations, requirements and requests as have been made by the USDARD, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by the USDARD, the carrying of insurance of such types and in such amounts as the USDARD may specify with insurance carriers acceptable to USDARD, and compliance with all the terms and conditions of the Loan Resolution between the Issuer and USDARD.

In addition, so long as USDARD shall hold the any of the Series 2012 Bonds, the Issuer shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the security interest of the Registered Owner of any Series 2012 Bonds unless such defeasance is made on a Acurrent@ basis as defined in the Code.

Section XV. No Priority Among Series 2012 Bonds. The Series 2012 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 the Series 2012 Bonds authorized by this Resolution regardless of the fact that they may be actually issued in different series and delivered at different times.

Section XVI. Insurance.

(A) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level (including equipment and machinery but not including water reservoirs, standpipes, elevated tanks and non-combustible materials) the Issuer shall, upon the sale of the Series 2012 Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Series 2012 Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System, the Issuer shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(B) Liability Insurance on Facilities. Upon the sale of said Series 2012 Bonds, the Issuer shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2012 Bonds are outstanding public liability insurance relating to the operation of the facilities of the System with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the Issuer from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the Issuer's operations of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the Issuer owns or operates vehicles in the operation of the System upon receipt of the proceeds of the Series 2012 Bonds, the Issuer shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2012 Bonds are outstanding vehicular public liability insurance with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the Issuer from claims for bodily injury and/or death, and not less than \$20,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Issuer.

(D) Workmen's Compensation. The Issuer will carry suitable Workmen's Compensation coverage as required by the laws of the Commonwealth of Kentucky.

Section XVII. Additional Parity Bonds. The District covenants and agrees not to issue any other obligations of any kind payable in whole or in part from or secured by the revenues of the System except after meeting the conditions hereinafter set forth, unless the lien of such obligations is junior and subordinate in all respects to the lien in favor of the Registered Owners of the Series 2012 Bonds except only to the extent specifically authorized herein.

Said District hereby reserves the right and privilege of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity as to security and source of payment with the Outstanding Bonds and Series 2012 Bonds, subject to the conditions and restrictions set forth in the following lettered paragraphs of this Section:

(A) In the event the costs of construction or completion of the Construction Project, as is set out in the plans and specifications of the Engineers, and presently on file in the office of the District, shall exceed the estimated costs contained in said report, the District agrees to deposit into the Construction Account, in addition to any other funds deposited therein to cover the original estimated costs of the Construction Project, such funds as may be necessary to pay the excess costs not already provided for. If necessary, the District may provide such excess, and only such excess, through the issuance of Parity Bonds and the sale thereof.

(B) The District shall have the right to add new water facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues pledged to the Outstanding Bonds and Series 2012 Bonds, provided in each instance that:

1. The facility or facilities to be built for the proceeds of the additional Parity Bonds is or are made a part of such System and its or their revenues are pledged as additional security for the additional Parity Bonds, the Outstanding Bonds and the Series 2012 Bonds;

2. The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds and Series 2012 Bonds payable from the revenues of the System or any part thereof;

3. The annual net revenues, defined as gross revenues less current expenses, of such System for the fiscal year next preceding the issuance of additional Parity Bonds, are certified by an independent public accountant, to have been equal to at least one and one-twenty hundredths (1.20) times the average annual requirements for principal and interest on all Bonds, including the Outstanding Bonds, the Series 2012 Bonds, and any additional Parity Bonds then outstanding and payable from the revenues of the System;

4. The District shall adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in the provisions establishing said Sinking Fund and by this Resolution in order to reflect the required annual debt service requirements on the additional Parity Bonds.

5. The District shall adjust the maximum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Fund by the Resolutions authorizing the Outstanding Bonds and Series 2012 Bonds, taking into account the future replacement costs of the facilities to be constructed and acquired with the proceeds of such additional Parity Bonds.

6. Such additional Parity Bonds shall be payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 of each year until the final maturity of such additional Parity Bonds.

7. The District has obtained the written consent of USDARD for the issuance of such Parity Bonds if USDARD is the Registered Owner of any of the Series 2012 Bonds at the time of the issuance of such Parity Bonds or the written consent of the Registered Owners of 75% in principal amount of the Outstanding Bonds and Series 2012 Bonds if same are not then held by USDARD.

Section XVIII. Contractual Nature of Bond Resolution. The provisions of this Resolution shall constitute a contract between the Issuer and the Registered Owners of the Series 2012 Bonds; and after the issuance of any of said Series 2012 Bonds no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of said Series 2012 Bonds and the interest thereon have been paid or provided for in full; provided the Issuer may enact other resolutions 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, subject to the condition that this Resolution shall not be so modified in any manner that may adversely affect the rights of any certain Registered Owners without similarly affecting the rights of the Registered Owners of all Series 2012 Bonds.

Section XIX. Sale of Bonds. The Secretary of the District is hereby authorized and directed to cause notice for bids for the purchase of said Series 2012 Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Series 2012 Bonds, to be sold, the time of sale and other details concerning the Series 2012 Bonds and shall inform prospective bidders that a copy of the Official Notice of Sale of Bonds, setting out the maturities, security of the Series 2012 Bonds, provisions as to redemption prior to maturity, and related information may be obtained from the Issuer. Such Official Notice shall contain the following bidding requirements:

(A) Bidders are required to bid a cash price of not less than par value of the Series 2012 Bonds.

(B) Interest rates must be in multiples of 1/8 or 1/20 of 1%, with not more than one interest rate per maturity being stipulated by any bidder.

(C) Bids will be considered only for the entire issue.

(D) Bidders (except the USDARD) are required to make a good faith deposit by cashier's check or certified check payable to the Issuer, which check shall accompany the bid, in the minimum amount of 2% of the face amount of the Bonds. Checks of the unsuccessful bidders will be returned promptly after being opened.

(E) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Series 2012 Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to final maturity.

(F) Bidders shall be advised that USDARD has entered into a Loan Resolution with the Issuer pursuant to which said USDARD reserves the right to withdraw its bid in the event bids are received from others on terms which USDARD considers reasonable.

(G) The Issuer expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the Series 2012 Bonds at the office of the Secretary of the District within forty-five (45) days after notice is given of the award. If said Series 2012 Bonds are not ready for delivery and Payment within forty-five (45) days from the aforesaid date of sale, the successful bidder(s) shall be relieved of any liability to accept delivery of any of the 2012 Bonds. In the event USDARD is the successful bidder, it is anticipated that delivery of the Series 2012 Bonds will be made at the time the Construction Project is substantially complete and the Issuer's failure to deliver said Series 2012 Bonds within forty-five (45) days from said date of sale shall not relieve USDARD of its obligation to accept said Series 2012 Bonds.

(H) The Issuer reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The Series 2012 Bonds will be tendered within said forty-five (45) day period and the successful bidder will receive the approving legal opinion of Reed & Johnson, Bond Counsel, Louisville, Kentucky, as to the legality and tax-exemption of said Series 2012 Bonds, without additional cost to the successful bidder,

In the event that there is no bid or that all bids are rejected, the Issuer may re-advertise the sale pursuant to this Resolution.

Section XX. Approval and Acceptance of USDARD Grant Agreement. As set out in preamble hereto, USDARD has agreed to make a grant to the District in the amount of \$595,000 in order to supplement the proceeds of the Series 2012 Bonds in order to provide the total cost of the Water Construction Project, and USDARD has requested that the District approve, accept and execute a certain USDARD Grant Agreement setting out the terms and conditions upon which said Grant will be made. Said Grant Agreement 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 Water Construction Project and to execute any and all Grant Agreements and any other documents as may be requested by the Grantor in connection with said Grants which have been and/or which may hereafter be approved for such Construction Project; including the KIA Grant.

Section XXI. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents.

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 Construction 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 USDARD Letter of Conditions (USDARD Form 442-46).
- (D) Loan Resolution (USDARD Form 442-47).
- (E) Agreement for Engineering Services with the Engineers.
- (F) Water Purchase Agreement with Columbia/Adair County Water Commission.

Section XXII. Floodplain Construction Prohibited. From and after the adoption of this Resolution no water service provided by the System shall be made available to any future customer wishing to build within a designated flood plain, including the area served by the Construction Project. Notwithstanding the foregoing, nothing herein shall be construed as a prohibition against the District providing water service to users of the System existing at the time this Resolution is adopted.

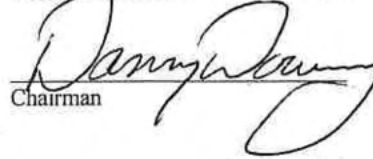
Section XXIII. Designation of Series 2012 Bonds; Alternate Financing Authorized. By the adoption of this Resolution the District covenants and agrees not to issue in excess of \$10,000,000 of its debt obligations during the calendar year in which the Series 2012 Bonds are ultimately delivered and hereby designates said Series 2012 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Section XXIV. 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.

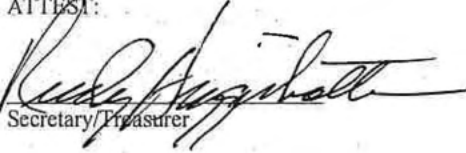
Section XXV. Effective Date of Resolution. Upon the receipt of the approval of the Public Service Commission of Kentucky this Resolution shall take effect from and after its passage and approval.

Passed and adopted on January 12, 2012.

ADAIR COUNTY WATER DISTRICT


Chairman

ATTEST:


Secretary/Treasurer

CERTIFICATE

I, the undersigned, Secretary/Treasurer of the Adair County Water District hereby certify that the foregoing is a true copy of a Resolution of the Board of Water Commissioners of the Adair County Water District passed and adopted at a Meeting held on the 12th day of January, 2012.

Witness my hand as Secretary/Treasurer this 12th day of January, 2012.

ADAIR COUNTY WATER DISTRICT


Secretary/Treasurer

AMENDED WATER RATE RESOLUTION

**A RESOLUTION OF THE BOARD OF WATER COMMISSIONERS OF ADAIR COUNTY
WATER DISTRICT AMENDING RATES AND CHARGES FOR WATER SERVICE
PROVIDED BY THE DISTRICT.**

WHEREAS, Adair County Water District (the "District") is required to apply to the Kentucky Public Service Commission ("PSC") for a Certificate of Public Convenience and Necessity authorizing and permitting said District to construct downtown Columbia water system replacements and improvements (the "Project" or "Downtown Water System Replacement"), and,

WHEREAS, the District proposes to finance said Project through the issuance of \$1,459,000 of the District's "Water Revenue Bonds, Series of 2012," (the "Bonds") by the issuance thereof to the United States Department of Agriculture, Rural Development ("USDARD") supplemented by a USDARD Grant in the amount of \$595,000, and,

WHEREAS, the District will apply to the Kentucky Public Service Commission for a Certificate of Public Convenience and Necessity and approval of a Schedule of Rates and Charges for water service in accordance with a certain USDARD Letter of Conditions dated March 1, 2010, Amended by Letter of Conditions dated November 15, 2011, setting forth the conditions for the USDARD Loan:

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF WATER COMMISSIONERS OF THE ADAIR COUNTY WATER DISTRICT AS FOLLOWS:

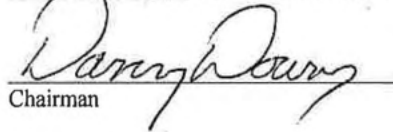
1. That subject to PSC approval commencing with the billing period corresponding to the month of March, 2012, the District's rates and charges for water service shall be as follows:

<u>Gallage Block</u>	<u>Existing Rate per Gallon</u>	<u>New Rates per Gallon</u>
5/8" x 3/4" Meter Size:		
First 2,000 gallons	\$15.35 Minimum Bill	\$19.90 Minimum Bill
Next 3,000 gallons	5.75 per 1,000 gallons	7.00 per 1,000 gallons
Next 5,000 gallons	5.00 per 1,000 gallons	6.25 per 1,000 gallons
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
1" Meter Size:		
First 5,000 gallons	\$32.60 Minimum Bill	\$40.90 Minimum Bill
Next 5,000 gallons	5.00 per 1,000 gallons	6.25 per 1,000 gallons
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
1 1/2" Meter Size:		
First 10,000 gallons	\$57.60 Minimum Bill	\$72.15 Minimum Bill
Next 15,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons
2" Meter Size:		
First 16,000 gallons	\$81.00 Minimum Bill	\$103.35 Minimum Bill
Next 9,000 gallons	3.90 per 1,000 gallons	5.20 per 1,000 gallons
All Over 25,000 gallons	3.15 per 1,000 gallons	4.45 per 1,000 gallons

2. That all other rates and charges not specifically mentioned herein shall remain as presently effective.
3. That all resolutions or parts thereof of the District in conflict with the provisions of this Resolution are hereby repealed to the extent of such conflict.
4. That this Resolution shall become effective upon its adoption and the District's receipt of approval of the Public Service Commission.

Passed and adopted this 12th day of January, 2012.

ADAIR COUNTY WATER DISTRICT


Chairman

Attest:


Secretary/Treasurer

CERTIFICATE

I, the undersigned, duly authorized and acting Secretary/Treasurer of the Adair County Water District hereby certify that the foregoing is a true and correct copy of an Amended Water Rate Resolution passed and adopted by the Board of Water Commissioners of the District by 5 voting for and 0 voting against said adoption, at a regular meeting held on the 12th day of January, 2012 at which a quorum was present and voting throughout said meeting.

Dated this 12th day of January, 2012.

ADAIR COUNTY WATER DISTRICT



Secretary/Treasurer

EXHIBIT G.3

A RESOLUTION OF THE COMMISSIONERS OF THE COLUMBIA/ADAIR COUNTY WATER COMMISSION, AUTHORIZING WATER PLANT IMPROVEMENTS; AUTHORIZING THE ISSUANCE OF \$1,200,000 OF THE COMMISSION'S WATER REVENUE BONDS, SERIES OF 2011, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE COMMISSION'S FACILITIES SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

WHEREAS, pursuant to the provisions of KRS 74.420 through 74.520 ("Commission Act") the City of Columbia, Kentucky ("City") and the Adair County Water District ("District") have established the Columbia/Adair County Water Commission ("Commission" or "Issuer") as an agency and instrumentality of said parties for the purpose of acquiring, constructing, operating and maintaining water treatment and distribution facilities ("System") for the purpose of supplying water on a wholesale basis to said City, said District and others, and

WHEREAS, the establishment of the Commission has been approved in accordance with the Commission Act and the Commissioners of the Commission have been duly appointed and have adopted appropriate Bylaws for the conduct of the affairs of the Commission, and

WHEREAS, the Commission has heretofore constructed said System and currently operates and maintains same, and

WHEREAS, the Commission has determined it is now necessary to construct further improvements to the System (the "Construction Project"); and

WHEREAS, in order to assist in financing the Construction Project the Commission is to receive a Grant in the amount of approximately \$508,000 from the United States Department of Agriculture, Rural Development ("USDARD") and approximately \$917,000 of a \$1,694,000 second Loan from the Kentucky Infrastructure Authority ("KIA") to be applied toward the total cost of \$2,625,000 of the Construction Project, but the Commission will be required to contribute the sum of \$1,200,000 through the issuance of its Water Revenue Bonds, Series of 2011 (the "Bonds") to USDARD in the event bids are not received from others for said Bonds on a basis USDARD considers reasonable;

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE COMMISSIONERS OF COLUMBIA/ADAIR COUNTY WATER COMMISSION, AS FOLLOWS:

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

"Additional Bonds" means bonds issued in the future payable from the income and revenues of the System which may or may not rank on the basis of parity as to security and source of payment with the Series 2011 Bonds.

"Beginning Month" means the month following the month in which the Construction Project is completed, as certified by the Engineers.

"The words "bond," "owner," "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "Registered Owner" or "bondholder" means and contemplates, unless the context otherwise indicates, the holders of the Fully Registered Bonds at the time issued and outstanding hereunder, or any of them.

The "Bonds" or "Series 2011 Bonds" means any of the bonds payable from the income and revenues of the System authorized by this Resolution, specifically the \$1,200,000 Columbia/Adair County Water Commission Water Revenue Bonds, Series of 2011.

"Bond Fund" means the "Columbia/Adair County Water Commission Water Revenue Bond and Interest Redemption Fund of 2006" established pursuant to the provisions of the Resolution authorizing the Series 2006 Outstanding Bonds and this Resolution and constituting the sinking fund or debt service fund for all of the Series 2011 Bonds of the Commission payable from the income and revenues of the System as well as said Outstanding Bonds.

"Bond Anticipation Note" or "Notes" means the obligations of the Commission authorized by this Resolution to provide interim financing or multiple advances pending the delivery of the Series 2011 Bonds.

"Commission Act" means KRS 74.420 through 74.520.

"Construction Account" means the "Columbia/Adair County Water Commission Construction Project Account of 2010" established under the provisions of this Resolution for the purpose of accounting for the disbursements for the Construction Project from the proceeds of the Notes, the Series 2011 Bonds or Grant.

"Construction Project" means water plant improvements, which construction is being financed in part by the Series 2011 Bonds herein authorized.

"Date of Closing" means the date upon which the Series 2011 Bonds are delivered to the successful purchaser.

"Depository Bank" means a FDIC bank or trust company in which the various funds and accounts established by this Resolution shall be deposited.

"Engineer" or "Engineers" means the Engineers, or any one of them, who prepared the plans and specifications for the Construction Project and who will supervise the construction thereof, and shall be deemed to refer to the firm of Monarch Engineering, Inc., Lawrenceburg, Kentucky.

"FDIC" means the Federal Deposit Insurance Corporation.

"First Loan" or "First KIA Loan" means the Loan in the original principal amount of approximately \$4,520,000 made to the Commission by the Kentucky Infrastructure Authority pursuant to a Loan/Assistance Agreement.

"Fully Registered Bond" shall refer to a single bond or a series of negotiable bonds (subject to the transfer provisions) payable only to the registered owner or owners in substantially the same form set forth as Exhibit A to this Resolution; fully registered as to both principal and interest.

"Grant" means the USDARD Grant identified in the preamble to this Resolution in the amount of \$508,000.

"Independent Consulting Engineer" means an independent Consulting Engineer or firm of Engineers of recognized excellent reputation in the field of water and sewer system engineering, and such definition includes the Engineers named above.

"KIA" means the Kentucky Infrastructure Authority.

"KRS" means the Kentucky Revised Statutes.

"KRWFC" means Kentucky Rural Water Finance Corporation.

"Original Purchaser" means the agency, person, firm or firms to which or to whom the Series 2011 Bonds herein authorized are awarded at the public sale of said Series 2011 Bonds, or their successors, and such definition shall include USDARD if it is the original purchaser of said Series 2011 Bonds.

"Outstanding Bonds" means the Columbia/Adair County Water Commission Water Revenue Bonds, Series of 2006, now outstanding in the principal amount of \$3,333,000, Series of 2008, now outstanding in the principal amount of \$296,800 and the First KIA Loan.

"Parity Bonds" means bonds issued in the future ranking on the basis of parity as to security and source of payment with the Series 2011 Bonds and Outstanding Bonds.

"Prior Bond Resolutions" means the Commission's Resolutions authorizing the Outstanding Bonds.

"Second Loan" or "Second KIA Loan" means the Loan in the original principal amount of approximately \$1,694,000 made to the Commission by the Kentucky Infrastructure Authority pursuant to a Loan/Assistance Agreement.

"Series 2011 Bond Resolution" means this Resolution authorizing the Series 2011 Bonds.

"System" means the water treatment plant and related facilities of the Commission and which includes the Construction Project.

"USDARD" means the United States of America, acting through the U.S. Department of Agriculture, Rural Development.

"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 II. Water Treatment Facilities Designated as Public Project: That the Commission's water treatment plant and related facilities, herein referred to as the System, as the same now exists and as the same shall be modified, extended and

improved, including the Construction Project, shall constitute a revenue producing public project or system ("System") within the meaning of KRS 58.010 through 58.140; and so long as any of the Commission's Water Revenue Bonds, Series of 2011 authorized hereunder, or any bonds ranking on a parity therewith as to security and source of payment, shall remain outstanding, said System shall be owned, controlled, operated and maintained on a revenue producing basis for the security and source of payment of the Series 2011 Bonds and any additional bonds ranking on a parity therewith.

Notwithstanding the preceding paragraph nothing contained in this Resolution shall prevent the Commission from entering a contract with the Adair County Water District (now doing business as the Columbia/Adair Utilities District) to provide for the operation of the Commission's system; any such agreement taking into account the rights of the Registered Owners of the Series 2011 Bonds and Outstanding Bonds.

Section III. Construction Project; Declaration of Period of Usefulness: The Commission shall construct the Construction Project which is generally described in the plans, specifications and report prepared by the Engineers now on file with the Secretary, and shall operate said System as a revenue-producing project under the provisions of the Constitution of Kentucky, KRS Chapter 58 and the Commission Act.

The Commission hereby declares that the period of usefulness of the entire System is more than forty (40) years from the date of completion of the "Construction Project."

Section IV. Authorization of Series 2011 Bonds: It has been heretofore determined by the Commission that the total cost of the Construction Project, including preliminary expenses, land and rights-of-way, engineering expense, interest during construction, legal and administrative expense, publication costs and all necessary and incidental expenses thereto will not exceed approximately \$2,625,000, and after deducting \$508,000 representing the USDARD Grant and \$917,000 representing a portion of the Second KIA Loan, it is necessary that the Commission authorize and issue \$1,200,000 of Water Revenue Bonds, Series of 2011, for the purpose of financing the costs (not otherwise provided) of completion of the aforesaid Construction Project under the provisions of Sections 58.010 through 58.140 and 74.420 through 74.520 of the Kentucky Revised Statutes. There are hereby authorized to be issued and sold One Million Two Hundred Thousand Dollars (\$1,200,000) principal amount of "Columbia/Adair County Water Commission Water Revenue Bonds, Series of 2011". All of said Series 2011 Bonds shall be dated as of the date of delivery to the purchaser thereof, and shall bear interest from such date at a rate or rates as may be fixed by supplemental Resolution as a result of the advertised sale and competitive bidding for said Series 2011 Bonds, as hereinafter provided, and shall be issued and delivered only according to the "Form of Fully Registered Bond," as hereinafter prescribed.

Interest 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.

Said Bonds shall mature as to principal on January 1 of each of the respective years of maturity. The purchaser(s) of said Bonds shall have the right to elect that such Bonds be issued in denominations of from \$500 to \$1,200,000, in multiples of \$500, consistent with the schedule of principal maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, Series 2011 Bonds

<u>January 1</u>		<u>January 1</u>	
<u>Maturity Date</u>	<u>Principal</u>	<u>Maturity Date</u>	<u>Principal</u>
2013	\$20,000	2032	\$31,000
2014	20,500	2033	31,500
2015	21,000	2034	32,500
2016	21,500	2035	33,000
2017	22,000	2036	34,000
2018	22,500	2037	35,000
2019	23,000	2038	35,500
2020	23,500	2039	36,500
2021	24,000	2040	37,500
2022	24,500	2041	38,500
2023	25,000	2042	39,000
2024	25,500	2043	40,000
2025	26,500	2044	41,000
2026	27,000	2045	42,000

2027	27,500	2046	43,000
2028	28,000	2047	44,000
2029	29,000	2048	45,000
2030	29,500	2049	46,000
2031	30,500	2050	44,000

Section V. Provisions for Prepayment of Principal. Principal installments due on the Bonds on or after January 1, 2014 shall be subject to prepayment, in whole or in part, on January 1, 2013 and on any interest payment date thereafter, in multiples of \$500 in inverse chronological order of installments, upon terms of the principal amount to be prepaid, plus accrued interest to the date of prepayment but without prepayment penalty.

In the event the Commission elects to prepay less than all of the Bonds, it shall exchange with the Registered Owner at the expense of the Commission a new Bond or Bonds representing the correct unpaid principal balance following the partial prepayment. Notwithstanding the foregoing, in the event USDARD is the Registered Owner of the Bonds upon which a prepayment is made, the Commission shall not be required to exchange its new Bonds as indicated in the preceding sentence.

Notice of prepayment shall be given by regular United States mail to the Registered Owner of the Bonds to be prepaid not less than thirty (30) days prior to the date fixed for prepayment. All principal payments as to which the Commission exercises the right of redemption and as to which notice shall have been given, and for the prepayment of which, upon the terms aforesaid, funds are duly provided, shall cease to bear interest on the redemption date so designated.

Notwithstanding any of the foregoing provisions as to prepayment, Series 2011 Bonds may be redeemed at any time from the proceeds of said Bonds remaining unused at the time the Construction Project is complete upon thirty (30) days written notice to the Registered Owner.

Section VI. Series 2011 Bonds Payable From System Revenues. All of said Series 2011 Bonds and Outstanding Bonds, together with the interest thereon, and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely and only out of the "Columbia/Adair County Water Commission Water Revenue Bond and Interest Redemption Fund of 2006" (the "Bond Fund" or "Sinking Fund"), established under the provisions of this Resolution, and shall be a valid claim of the holders thereof only against such Bond Fund and the System revenues pledged to said Bond Fund, in accordance with the provisions of KRS Sections 58.010 through 58.140 and KRS Section 74.470.

Section VII. Form of Fully Registered Bonds; Execution Authorized. Said Fully Registered Bonds referred to herein shall be in substantially the same form as set forth in Exhibit A to this Resolution, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Resolution. The Fully Registered Bonds shall be of a type and composition, shall be on paper of sufficient weight and strength to prevent deterioration until the last principal installment due thereon and shall conform in size to standard bond practices.

The Fully Registered Bonds shall be executed by the manual signature of the Chairman, impressed with the corporate seal of the Commission and attested by the manual signature of the Secretary.

The Registered Owner of any Fully Registered Bonds shall have the right, upon written request to the Commission and within ninety (90) days following such request, at the expense of the Registered Owner, to exchange Fully Registered Bonds for other Fully Registered Bonds in denominations selected by the Registered Owner in multiples of \$500 consistent with the schedule of principal maturities of said Series 2011 Bonds. New Bonds shall be so issued and substituted only for and upon surrender to the Commission of the corresponding Bonds so exchanged which shall then be immediately canceled by the Treasurer of the Commission.

Section VIII. Interim Financing; Bond Anticipation Notes. The Commission and USDARD have entered into a Loan Resolution whereby USDARD has agreed to purchase the Series 2011 Bonds herein authorized in the event the Commission is unable to sell said Series 2011 Bonds (or obtain credit elsewhere) at reasonable rates and terms, taking into consideration prevailing private and corporate rates and terms in the community in accordance with USDARD Regulations. Under the terms of USDARD Regulations, delivery of the Series 2011 Bonds herein authorized and the receipt of the purchase price therefor will not be accomplished until the Construction Project is substantially complete. In order to facilitate the completion of the Construction Project pending the issuance and delivery of the Bonds herein authorized, there are hereby authorized to be executed and delivered for the purpose of providing funds for the expenses of the Construction Project incurred in the interim period from the date of the sale of said Series 2011 Bonds until the issuance and delivery of the Series 2011 Bonds, "Columbia/Adair County Water Commission Water Revenue Bond Anticipation Notes" in the aggregate principal amount of \$1,200,000 (hereinafter sometimes referred to as the "Bond Anticipation Notes").

No Bond Anticipation Notes shall be issued pursuant to the provisions of this Resolution unless and until the Commission has received an irrevocable commitment from KIA for the Second KIA Loan in an amount of not less than \$917,000.

Notwithstanding any alternate procedure for the issuance of Bond Anticipation Notes herein set forth, the Commission may elect (by adoption of an appropriate resolution) to enter a Loan Agreement with Kentucky Rural Water Finance Corporation to provide interim financing for said Construction Project. In such an event, the Chairman and Secretary are hereby authorized to execute such Loan Agreement and a Bond Anticipation Note in the principal amount of \$1,200,000 in favor of KRWFC and the procedures for the disbursement of interim loan proceeds by the KRWFC Trustee shall be governed by the terms of said Loan Agreement, including the periodic execution of the required Requisition for Funds or Request for Payment as therein set forth.

The procedure for the execution of said Bond Anticipation Notes and the disbursement of the proceeds thereof shall be strictly in accordance with the terms of this Resolution and as set forth in this Section VIII.

There is hereby created a special and separate account of the Commission which shall be designated as the "Columbia/Adair County Water Commission Construction Project Account of 2010" (hereinafter sometimes referred to as the "Construction Account"). Said Construction Account shall be established with the Depository Bank and any deposit in said Construction Account in excess of FDIC insurance coverage shall be secured by the Depository Bank in accordance with U.S. Treasury Department Circular No. 176 by a pledge of collateral with a Federal Reserve Bank. Pending the issuance and delivery of the Bonds all monies received in connection with the Construction Project from grants from the United States Government and the proceeds of Bond Anticipation Notes shall be deposited in said Construction Account and shall be applied to meet the costs incident to said Construction Project pending the delivery of the Bonds.

The Engineers shall prepare one or more Estimate of Funds Needed, which will show the amount of funds needed during the 30-day period following the submission of such estimate (USDARD Form 440-11), and which Estimates shall be executed by a representative of said Engineers in charge of the Construction Project, stating that the amount requested under said Estimate represents an estimated sum to be earned by and due to contractors under contracts with the Commission for work performed or materials furnished in connection with said Construction Project. Each Estimate of Funds Needed shall be countersigned by the Chairman. In regard to items of expense in connection with the Construction Project not relating to construction contracts, the Engineer's execution of the Estimate of Funds shall not be necessary and an Estimate of Funds for projected expenses of this type shall be signed only by the Chairman and approved by the duly authorized representative of USDARD.

The Estimate of Funds Needed (properly countersigned) shall be submitted to the Chairman and Secretary, who, upon the receipt thereof, shall be authorized to execute a Bond Anticipation Note or Notes in accordance with the terms of this Resolution in the aggregate amount represented by the Estimate of Funds submitted.

Upon the execution of the Bond Anticipation Notes, same shall be delivered to the purchaser thereof, whether said purchaser be a bank or USDARD or KRWFC, and the proceeds received therefrom shall be deposited in the Construction Account and disbursed from said Account in accordance with the terms of this Resolution.

All requests for disbursements from the Construction Account shall be accompanied by one or more vouchers (Partial Payment Estimates, USDARD Form RD 1924-18) executed by a representative of the Engineers in charge of said Construction Project certifying that the amount requested represents a sum actually earned by and due to contractors under a contract with the Commission for work performed or for materials furnished to the Commission in connection with said Construction Project. Each such voucher shall likewise be countersigned by the Chairman and approved by the duly authorized representative of USDARD. To the extent a requested disbursement from said Construction Account shall be for items not relating to construction contracts, a voucher (in a form satisfactory to USDARD) for such disbursement signed only by the Chairman and approved by the duly authorized representative of USDARD shall be submitted stating that the requested advance represents an expenditure which may be properly made under the terms of the USDARD Loan Resolution and is eligible for payment by the Commission from the proceeds of the Bonds herein authorized.

Disbursements from the Construction Account shall be made by check signed by the Treasurer of the Commission (countersigned by the duly authorized representative of USDARD should USDARD so require) and shall be made only upon the Treasurer's receipt of such voucher.

The position of Treasurer of the Commission shall be covered by a Fidelity Bond in the amount of not less than \$260,000 with a surety company approved by USDARD; the Commission and USDARD shall be named co-obligees in such Bond, and the amount thereof shall not be reduced without the written consent of USDARD. Should the aggregate total of the deposits in the various accounts authorized to be maintained under the provisions of this Resolution (including the Construction Account) equal

more than \$260,000 at any one time during the year, the Fidelity Bond of the Commission Treasurer shall be increased to cover the larger amount so accumulated.

The Bond Anticipation Notes shall be in substantially the same form as the Bond Anticipation Note attached to and made a part of this Resolution and marked for identification as Exhibit B. The Chairman and Secretary are hereby authorized to execute said Notes periodically but in an aggregate principal amount not to exceed \$1,200,000 upon their receipt of the duly executed Estimate of Funds in accordance with the preceding paragraphs of this Section.

Said Bond Anticipation Notes shall be dated as of the date of the execution thereof and shall bear interest payable at maturity. The principal maturity date for all of said Notes shall be on or before two (2) years from the date this Resolution is adopted. All of said Notes shall be subject to payment prior to their stated maturity, with or without penalty or premium, as the Commission may determine, upon thirty (30) days' written notice of such prior redemption to the Registered Owner thereof.

The Bond Anticipation Notes herein authorized shall be payable solely from and secured by (i) the proceeds derived from the issuance of the Series 2011 Bonds herein authorized, or (ii) the proceeds of other interim financing loans made in anticipation of the issuance of such Bonds or the proceeds of any Grants.

Said Notes are authorized in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to Sections 58.010 through 58.150 and 56.513 of the Kentucky Revised Statutes.

The authority hereby delegated to the Chairman and Secretary in regard to the execution of a total aggregate principal amount of \$1,200,000 includes the execution of renewal notes in evidence of the renewal and extension of Notes becoming due, providing the aggregate of the principal amount of all such Bond Anticipation Notes outstanding and payable shall not exceed \$1,200,000 and providing the Note which is renewed or superseded is simultaneously canceled and transmitted to the Commission. The maximum aggregate principal amount of Bond Anticipation Notes permitted by this Resolution shall include the interest on said Notes.

Notwithstanding anything contained in this Resolution to the contrary, the Commission covenants that no Bond Anticipation Notes shall be issued and delivered unless and until the Series 2011 Bonds have been sold at public sale in accordance with law.

The Commission further covenants simultaneously with the issuance and delivery of said Bonds to the successful purchaser, all amounts due, owing and unpaid on said Bond Anticipation Notes shall be repaid at said time of delivery, including principal and interest.

In the event there may from time to time be on deposit in said Construction Account funds which are not immediately needed for the payment of construction costs, same may be invested, but only in the manner permitted by USDARD; provided, however, that no deposit in said Construction Account or any other fund provided for hereunder shall be used or invested in any manner which would cause the Series 2011 Bonds to become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or any Regulations of the U.S. Treasury Department interpreting same (the "Code").

Subsequent to the delivery of the Series 2011 Bonds and the payment in full of the Bond Anticipation Notes upon certification by the Engineers that the Construction Project is complete in accordance with the plans and specifications and all items of expense have been paid, the balance, if any, remaining in said Construction Account shall be transferred to the Bond Fund and said Construction Account shall be closed.

Notwithstanding the previous provisions of this Section VIII regarding the Commission's borrowing from Kentucky Rural Water Finance Corporation, the Commission may elect to solicit proposals for the purchase of its Bond Anticipation Notes from financial institutions in accordance with the provisions of KRS 58.150 and KRS 56.513.

Section IX. Delivery of the Series 2011 Bonds; Payment of Bond Anticipation Notes; Disbursement of Series 2011 Bond Proceeds. Upon the delivery of the Series 2011 Bonds herein authorized, the following distribution of the proceeds of said Series 2011 Bonds shall be made simultaneously with said delivery and receipt of payment (the "Date of Closing"):

(A) Simultaneously with the delivery of the Series 2011 Bonds, all amounts due and owing by the Commission on interim construction loans evidenced by the Bond Anticipation Notes including principal and interest, and prepayment premium, if any, shall be paid in full and the Notes canceled.

(B) After observing the priority of the disbursement set forth in subparagraph (A) above, and simultaneously with the delivery of the Series 2011 Bonds, the balance of the proceeds of said Bonds remaining after the payment of the expenses incident to their authorization and sale, shall be transferred to the Construction Account established by Section VIII of this Resolution.

Section X. Disposition of Water System Revenues. From and after the delivery of any of the Series 2011 Bonds authorized under the provisions of this Resolution, the said System shall be operated on a fiscal year basis and on that basis all income and revenues derived directly or indirectly from the operation of said System shall be deposited promptly and as received first to the credit of a separate and special account known as the "Columbia/Adair County Water Commission Water System Revenue Fund" (the "Revenue Fund"), established by the Series 2006 Bond Resolution. Such Revenue Fund shall be held separate and apart from all other funds of the Commission and shall be maintained so long as any of the Series 2011 Bonds and Outstanding Bonds are outstanding and payment is not provided therefor. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(A) So long as any of the Series 2011 Bonds and Outstanding Bonds remain outstanding and payment is not provided for a separate and special account known as the "Columbia/Adair County Water Commission Water System Water Revenue Bond and Interest Redemption Fund of 2006" (the "Bond Fund" or "Sinking Fund") established by the Series 2006 Bond Resolution shall be maintained. Commencing with the month following the month in which the Series 2011 Bonds are delivered, there shall be transferred from the Revenue Fund to the Bond Fund a monthly amount equal to the total of the following:

(1) A sum equal to one-sixth (1/6) of the interest requirements becoming due on the Outstanding Bonds and Series 2011 Bonds on the next succeeding interest due date.

(2) A sum equal to one-twelfth (1/12) of the principal becoming due on the Outstanding Bonds and Series 2011 Bonds on the next succeeding January 1.

In the event that USDARD is the Registered Owner of the Series 2011 Bonds, then in the event USDARD so desires, payments to USDARD from the Bond Fund for interest and principal installments on the Series 2011 Bonds shall be made directly to USDARD on a monthly basis. The Commission shall submit the Electronic Funds Transfer Payment Enrollment Form (Form SF-3881) in order to effect Electronic Funds Transfer/Automated Clearing House ("EFT/ACH") and provide electronic transfer payments due on the Series 2011 Bonds. It is provided further that so long as USDARD is the Registered Owner of the Series 2011 Bonds, monies on deposit in all of the various accounts established by this Resolution shall be secured as required by USDARD Regulations.

If in any year the Commission shall, for any reason, fail to pay into to said Bond Fund the full amounts stipulated in Subsections X (A), then an amount equivalent to one hundred ten percent (110%) of such deficiency shall be set apart and paid into said Fund from the first available income and revenues of the System in the following year or years, and said payments shall be in addition to the amount otherwise herein provided for said succeeding year or years.

Monies on deposit in said Fund may be invested in direct obligations or guaranteed bonds or securities of the United States of America having a maturity date or being subject to redemption at the option of the holder not more than five (5) years from the date of the investment therein, and all such investments, as well as income therefrom, shall be carried to the credit of the Fund; provided, however, that all investments shall be made on such a basis so that monies will be available for the purposes for which the Fund was established at the times required.

(B) So long as the First and Second KIA Loans remain outstanding and payment is not provided for separate and special accounts known as the "Columbia/Adair County Water Commission Water System KIA Loan Fund" (the "KIA Loan Fund") established by the Prior 2006 Bond Resolution shall be maintained. In each month there shall be transferred from the Revenue Fund to the KIA Loan Fund (but subject to the priority of the transfers enumerated in Subsection A above) a monthly amount equal to the total of the following:

(1) A sum equal to one-twelfth (1/12) of the interest requirements becoming due on the KIA Loan for the following month.

(2) A sum equal to one-twelfth (1/12) of the principal becoming due on the KIA Loan for the following month.

(C) A separate and special "Depreciation Fund" established by the Series 2006 Bond Resolution shall be maintained so long as any of the Series 2011 Bonds and Outstanding Bonds remain outstanding. There shall be transferred to the Depreciation Fund the sum of \$2,050 (formerly \$1,655) until there is established and maintained in said Depreciation Fund the sum of not less than \$247,200 (formerly \$199,800), which shall be utilized in making good any depreciation in the properties of said System and in financing extensions, additions or improvements to the System. Notwithstanding any other provisions of this Section to the contrary, the sum of not less than \$2,050 shall continue to be deposited monthly so long as the Series 2011 Bonds and Outstanding Bonds remain outstanding.

There shall also be deposited in the Depreciation Fund proceeds from the sale of any equipment no longer usable or needed, fees or charges, if any, collected from potential customers, and the proceeds of any property damage insurance not immediately used to replace the damaged or destroyed property. Monies in the Depreciation Fund shall be used for making extraordinary maintenance, repairs, renewals or replacements to the System and for paying the cost of constructing improvements or extensions to the System which will either enhance the revenue producing capacity of the System or provide a higher degree of service, and no withdrawals shall be made for any other purposes; provided, however, that moneys on deposit in the Depreciation Fund shall be available for the principal and interest requirements on the Series 2011 Bonds and Outstanding Bonds, if, for any reason, and whenever sufficient funds are not available in the Bond Fund.

(D) A separate and special account designated as the "Operation and Maintenance Fund" established by the Series 2006 Bond Resolution and shall be maintained so long as the Series 2011 Bonds and Outstanding Bonds remain outstanding. There shall be transferred to the Operation and Maintenance Fund the balance of the Revenue Fund remaining after the transfers required under Subsections X (A), (B) and (C) hereof for the purpose of providing for the proper operation and maintenance expenses of the System, including the expense of carrying sufficient insurance on the System of a character and in amounts as will properly insure the properties and, in addition, carrying liability insurance in character and amounts deemed necessary (all of which insurance shall be carried and maintained in effect) but not limited to such expenses and establishing and maintaining a reserve equal to three (3) months' operation and maintenance expenses of such System. Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance expenses of such System are met and said reserve established.

Notwithstanding the foregoing requirements for transfers from the revenue fund to meet current operating expenses and maintain a three (3) month operating reserve, there shall be an additional monthly transfer to the Operation and Maintenance Fund in the sum of not less than \$2,787 (formerly \$1,887) which shall be segregated in a sub-account designated "short-lived asset account" which may be utilized to acquire, replace or repair short-lived assets necessary for the operation of the System.

Any funds remaining in such Operation and Maintenance Fund after meeting the expenses of operating such System and maintaining the required reserves shall be transferred to the Revenue Fund and disbursed in accordance with the provisions of this Section.

All transfers required by Subsections X (A), (B), (C) and (D) above shall be made on the 1st day of each month unless such day be Sunday or a legal holiday, in which event such transfers shall be made on the next succeeding secular day.

All funds referred to in Subsections X (A), (B), (C) and (D) above are to be deposited with a bank or banks which is a member or are members of the Federal Deposit Insurance Corporation and, to the extent the aggregate deposits of the Commission in such bank or banks exceed FDIC coverage, shall be secured by a pledge of obligations of or obligations which are fully guaranteed by the United States Government having a market value equal to the amount of such excess.

All funds referred to in Subsection X (A), (B), (C) and (D) above may be invested in direct obligations of or obligations which are fully guaranteed by the United States Government with such maturities so that monies shall be available in the respective Funds for the purposes for which same are established.

The Commission covenants to the purchaser of the Series 2011 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 2011 Bonds at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 2011 Bonds, would have caused such Series 2011 Bonds to be arbitrage bonds. Such covenant shall impose an obligation upon the Commission to comply with the requirements of the Code and throughout the term of the issue herein authorized. The word "proceeds," as used in such covenant, shall have the meaning which it has under such section of the law and under such Code and shall include all monies on deposit in all funds provided for under this Resolution. The Commission hereby designates the Series 2011 Bonds as "qualified tax exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and certifies that it does not reasonably anticipate the issuance of in excess of \$10,000,000 of its debt obligations in the calendar year in which the Series 2011 Bonds are delivered.

The Treasurer of the Commission shall be responsible for all of the various special funds established by this Resolution and shall at all times be covered by a Fidelity Bond in accordance with the provisions of this Resolution.

Section XI. Additional Parity Bonds. The Commission covenants and agrees not to issue any other obligations of any kind payable in whole or in part from or secured by the revenues of the System except after meeting the conditions hereinafter set forth, unless the lien of such obligations is junior and subordinate in all respects to the lien in favor of the Registered Owners of the Series 2011 Bonds and Outstanding Bonds, except only to the extent specifically authorized herein.

Said Commission hereby reserves the right and privilege of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity as to security and source of payment with the 2010 Bonds and Outstanding Bonds, subject to the conditions and restrictions set forth in either of the following lettered paragraphs of this Section:

(A) In the event the cost of construction or completion of the Project, as is set out in the plans and specifications of the Engineers, and presently on file in the office of the Secretary of the Commission, shall exceed the estimated cost contained in said report, the Commission agrees to deposit into the Construction Account, in addition to any other funds deposited therein to cover the original estimated cost of the Construction Project, such funds as may be necessary to pay the excess cost not already provided for. If necessary, the Commission may provide such excess, and only such excess, through the sale and issuance of Parity Bonds.

(B) The Commission shall have the right to add new water treatment facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues pledged to the Series 2011 Bonds and Outstanding Bonds.

Provided that in each instance under (A) and (B) above, the consent of the Registered Owners of 100% in principal amount of the Series 2011 Bonds and Outstanding Bonds has been obtained or that:

1. The facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of such System, and the revenues therefrom are pledged as additional security for the additional Parity Bonds, the Series 2011 Bonds and Outstanding Bonds;

2. The Commission is in compliance with all covenants and undertakings in connection with all of its Series 2011 Bonds and Outstanding Bonds then outstanding and payable from the revenues of the System or any part thereof as set forth in this Resolution;

3. The "Net Annual Revenues," as hereinafter defined, of such System for twelve (12) consecutive months out of the eighteen (18) months preceding the issuance of additional parity bonds, are certified by an independent public accountant not in the regular employ of the Commission, to be equal to at least one and twenty-hundredths (1.20) times the average annual requirements for principal and interest on the Series 2011 Bonds, Outstanding Bonds, and the additional Parity Bonds to be issued in any succeeding year ending on January 1.

The interest payment dates for such additional parity bonds shall be semi-annually on January 1 and July 1 of each year and the principal maturities of such additional parity bonds shall be on January 1 of the year in which principal is scheduled to mature.

"Net Annual Revenues" are defined as gross revenues less operating expenses, which shall include salaries, wages, cost of maintenance and operation, materials and supplies, pumping cost and insurance, as well as all other items as are normally included under recognized accounting practices, exclusive of allowances for depreciation. The Net Annual Revenues may be adjusted to reflect any revision in the schedule of rates and charges being imposed for the services of the System at the time of the issuance of such additional Parity Bonds or to reflect the income and revenues to be generated by the additional facilities to be constructed; all as certified by an Independent Consulting Engineer.

Section XII. General Covenants of the Commission. The Commission, through adoption of this Resolution, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 2011 Bonds, that so long as the same or any part thereof remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate said System on a revenue-producing basis and will permit no free services to be rendered or afforded thereby to any person, firm or corporation, including the Commission, the City or the District.

(C) It will maintain the said System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided, and will make renewals and replacements, as the same may be required, through application of revenues accumulated and set aside into the Depreciation Fund.

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except that if the Commission shall determine by resolution or ordinance that any identified properties of the System are worn out, obsolete or otherwise no longer useful and needed, the same may be sold or exchanged as the Commission may order, and if sold for cash, the proceeds shall be deposited in the Depreciation Fund and be available for any authorized purpose of said Fund.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of the Series 2011 Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the issuance of the Series 2011 Bonds, the Commission will adopt a Budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the Secretary of the Commission and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, and required payments into the Bond Fund. The Commission covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the governing body of the Commission determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the Commission agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year and, to the extent that said gross revenues are insufficient to provide for all payments required to be made under Section X hereof during such ensuing fiscal year, it will revise its rates and charges for services rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Bonds herein authorized which shall not be reduced unless an independent, recognized and reputable Independent Consulting Engineer not in the regular employ of the Commission gives and files in the office of the Secretary of the Commission a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current bond service requirements, depreciation requirements/ operation and maintenance requirements and their respective reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section X of this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, monies and funds of the Commission and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution in the manner and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any Registered Owner, and any agent or representative of a bondholder. Additionally, if requested to do so by the purchaser of the Series 2011 Bonds, said Commission will furnish to such Original Purchaser a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section X hereof.

(I) It will, within sixty (60) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the Commission on a monthly salary basis, showing all receipts and disbursements, with consents of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the Office of the Secretary of the Commission where it will be available for public inspection, and will promptly mail a copy thereof to the Original Purchaser and the Registered Owners of any Series 2011 Bonds requesting same. If requested to do so, the Commission will furnish to any bondholder a condensed form of the Balance Sheet and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes as herein provided.

(J) Any holder of said Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said Commission and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of said System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of said Bonds, then upon the filing of suit by any holder of said Series 2011 Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the Commission with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of current expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The Commission will cause each municipal officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the governing body of the Commission, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from monies available in the Operation and Maintenance Fund. In the event USDARD is the purchaser of the Series 2011 Bonds, USDARD shall be a co-obligee on said bond.

Section XIII. Bondholders' Rights to Enforce Covenants. Any holder of the Series 2011 Bonds or Outstanding Bonds, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said Commission and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of said System, including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Series 2011 Bonds or Outstanding Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the said combined and consolidated System on behalf of the Commission, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with this Resolution and with the provisions of Chapter 58 of Kentucky Revised Statutes. Reasonable attorneys fees and court costs incurred by any bondholder or bondholders in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the properties securing the Series 2011 Bonds and Outstanding Bonds herein authorized.

Section XIV. Special Covenants Applicable So Long As USDARD Holds Any Bonds. So long as USDARD shall hold any of the Series 2011 Bonds, the Commission shall comply with such regulations, requirements and requests as have been made by the USDARD, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by the USDARD, the carrying of insurance of such types and in such amounts as the USDARD may specify with insurance carriers acceptable to USDARD, and compliance with all the terms and conditions of the Loan Resolution between the Commission and USDARD.

In addition, so long as USDARD shall hold the any of the Series 2011 Bonds, the Commission shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the security interest of the Registered Owners of any Series 2011 Bonds, but nothing shall prevent the Commission from a current prepayment (as defined in the Code) of said Series 2011 Bonds from the proceeds of other financings.

Section XV. No Priority Among Series 2011 Bonds. The Series 2011 Bonds authorized herein and the Outstanding Bonds previously authorized 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 the Bonds authorized by this Resolution or the Series 2006 Bond Resolution, regardless of the fact that they may be actually issued in different series and delivered at different times.

Section XVI. Insurance.

(A) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level (including equipment and machinery but not including water reservoirs, standpipes, elevated tanks and non-combustible materials) the Commission shall, upon the sale of the Series 2011 Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Series 2011 Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System, the Commission shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(B) Liability Insurance on Facilities. Upon the sale of said Series 2011 Bonds the Commission shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2011 Bonds are outstanding, public liability insurance relating to the operation of the facilities of the System with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the Commission from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the Commission's operations of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the Commission owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Series 2011 Bonds, the Commission shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2011 Bonds are outstanding, vehicular public liability insurance with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the Commission from claims for bodily injury and/or death, and not less than \$20,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Commission.

(D) Workmen's Compensation. The Commission will carry suitable Workmen's Compensation coverage as required by the laws of the Commonwealth of Kentucky.

Section XVII. Contractual Nature of Bond Resolution. The provisions of this Resolution shall constitute a contract between the Commission and the holders of the Series 2011 Bonds; and after the issuance of any of said Series 2011 Bonds no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of said Series 2011 Bonds and the interest thereon have been paid or provided for in full; provided the Commission may enact other resolutions 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, subject to the condition that this Resolution shall not be so modified in any manner that may adversely affect the rights of any Registered Owners without similarly affecting the rights of all Registered Owners of all Series 2011 Bonds.

Section XVIII. Sale of Bonds. The Secretary of the Commission is hereby authorized and directed to cause notice for bids for the purchase of said Series 2011 Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Series 2011 Bonds to be sold, the time of sale and other details concerning the Series 2011 Bonds and the sale of the Series 2011 Bonds and shall inform prospective bidders that a copy of the Official Notice of Sale of Bonds, setting out the maturities, security of the Bonds, provisions as to redemption prior to maturity and related information may be obtained from the Commission. Such Official Notice shall contain the following bidding requirements:

(A) Bidders are required to bid a cash price of not less than par value of the Series 2011 Bonds.

(B) Interest rates must be in multiples of 1/8 or 1/20 of 1%, with not more than one interest rate per maturity being stipulated by any bidder.

(C) Bids will be considered only for the entire issue.

(D) Bidders (except the USDARD) are required to make a good faith deposit by cashier's check or certified check payable to the Commission, which check shall accompany the bid, in the minimum amount of 2% of the face amount of the Series 2011 Bonds. Checks of the unsuccessful bidders will be returned promptly after being opened.

(E) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Series 2011 Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to final maturity.

(F) Bidders shall be advised that USDARD has entered into a Loan Resolution with the Commission pursuant to which said USDARD reserves the right to withdraw its bid in the event bids are received from others on terms which USDARD considers reasonable.

(G) The Commission expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the Series 2011 Bonds at the office of the Secretary of the Commission within forty-five (45) days after notice is given of the award. If said Series 2011 Bonds are not ready for delivery and payment within forty-five (45) days from the aforesaid date of sale, the successful bidder(s) shall be relieved of any liability to accept delivery of any of the Series 2011 Bonds. In the event USDARD is the successful bidder, it is anticipated that delivery of the Series 2011 Bonds will be made at the time the Construction Project is substantially complete and the Commission's failure to deliver said Series 2011 Bonds within forty-five (45) days from said date of sale shall not relieve USDARD of its obligation to accept said Series 2011 Bonds.

(H) The Commission reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The Series 2011 Bonds will be tendered within said forty-five (45) day period and the successful bidder will receive the approving legal opinion of Henry M. Reed III, Bond Counsel, Louisville, Kentucky, as to the legality and tax-exemption of said Series 2011 Bonds, without additional cost to the successful bidder.

In the event that there is no bid or that all bids are rejected, the Commission may re-advertise the sale pursuant to this Resolution.

Section XIX. Approval and Acceptance of Grant Agreement. As set out in preamble hereto, USDARD has agreed to make a grant to the Commission in order to supplement the proceeds of the Series 2011 Bonds in order to provide the total cost of the Construction Project, and has requested the Commission 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 is hereby approved, and the Chairman and Secretary are authorized to execute said Grant Agreement on behalf of the Commission. The Chairman and Secretary are also authorized on behalf of the Commission to accept any and all other grants offered to the Commission in connection with the Construction Project and to execute any and all grant agreements and any other documents as may be requested by the Grantors of said Grants which have been and/or which may hereafter be approved for such Construction Project; including, but not being limited to, the Assistance Agreement representing the Second KIA Loan in the total principal amount of \$1,694,000, \$917,000 of which is to be applied to the Construction Project.

Section XX. 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 Commission in approving and executing various documents related to the financing of the Construction 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 USDARD Letter of Conditions as amended (USDARD Form 442-46).
- (D) Loan Resolution (USDARD Form 442-47).
- (E) Agreement for Engineering Services with the Engineers.

Section XXI. Floodplain Construction Prohibited. From and after the adoption of this Resolution no water service provided by the System shall be made available to any future customer wishing to build within a designated flood plain, including the area served by the Construction Project. Notwithstanding the foregoing, nothing herein shall be construed as a prohibition against the Commission providing water service to users of the System existing at the time this Resolution is adopted.

Section XXII. Designation of Series 2011 Bonds. By the adoption of this Resolution the Commission covenants and agrees not to issue in excess of \$10,000,000 of its debt obligations during the calendar year in which the Series 2011 Bonds are ultimately delivered and hereby designates said Series 2011 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Section XIII. 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 XXIV. Effective Date of Resolution. This Resolution shall take effect from and after its passage.

Passed and Adopted by the Commissioners of the Columbia/Adair County Water Commission on the 8th day of February, 2011.


Chairman

ATTEST:


Secretary-Treasurer

CERTIFICATE

I, the undersigned, duly authorized and acting Secretary-Treasurer of the Columbia/Adair County Water Commission hereby certify that the foregoing is a true and correct copy of the Bond Resolution passed and adopted by the Board of Commissioners of the Commission by 5 voting for and 0 voting against said adoption, at a special meeting held on the 8th day of February, 2011 at which a quorum was present and voting throughout said meeting.

Dated this 8th day of February, 2011.

COLUMBIA/ADAIR WATER COMMISSION


Secretary-Treasurer

AMENDED WATER RATE RESOLUTION

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE COLUMBIA/ADAIR COUNTY WATER COMMISSION AMENDING RATES AND CHARGES FOR WHOLESALE WATER SERVICE PROVIDED BY THE COMMISSION.

WHEREAS, the Columbia/Adair County Water Commission ("Commission") proposes to finance improvements to its Water Treatment Plant and related facilities ("Construction Project") through the issuance of \$1,200,000 of the Commission's "Water Revenue Bonds, Series of 2011," ("Bonds") to be purchased by United States Department of Agriculture, Rural Development ("USDARD") supplemented by a USDARD Grant in the amount of \$508,000 and \$917,000 of a \$1,694,000 Kentucky Infrastructure Authority ("KIA") Loan, and,

WHEREAS, it is necessary that the Commission amend its current rates and charges for wholesale water service in order to comply with a certain USDARD Letter of Conditions dated February 5, 2010, amended by Letter of Conditions dated November 9, 2010, setting forth the conditions for the USDARD Loan represented by the Bonds:

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE COLUMBIA/ADAIR WATER COMMISSION AS FOLLOWS:

1. Commencing with the billing period corresponding to the month of January, 2011, the Commission's rates and charges for wholesale water service shall be as follows:

<u>Existing Rate per 1,000 Gallons</u>	<u>New Rates per 1,000 Gallons</u>
\$2.10 per 1,000 gallons for all water purchased	\$2.42 per 1,000 gallons for all water purchased

2. That all other rates and charges not specifically mentioned herein shall remain as presently effective.

3. That all resolutions or parts thereof of the Commission in conflict with the provisions of this Resolution are hereby repealed to the extent of such conflict.

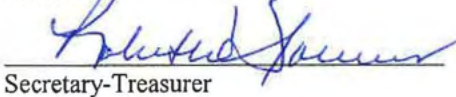
4. That this Resolution shall become effective upon its adoption.

Passed and adopted this 8th day of February, 2011.

COLUMBIA/ADAIR WATER COMMISSION


Chairman

Attest:

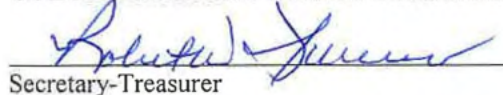

Secretary-Treasurer

CERTIFICATE

I, the undersigned, duly authorized and acting Secretary-Treasurer of the Columbia/Adair County Water Commission hereby certify that the foregoing is a true and correct copy of an Amended Water Rate Resolution passed and adopted by the Board of Commissioners of the Commission by 5 voting for and 0 voting against said adoption, at a special meeting held on the 8th day of February, 2011 at which a quorum was present and voting throughout said meeting.

Dated this 8th day of February, 2011.

COLUMBIA/ADAIR WATER COMMISSION


Secretary-Treasurer

This Resolution is a ratification and confirmation of the Resolution previously adopted by the Commission on December 14, 2010 attached hereto.

RESOLUTION

WHEREAS, Columbia/Adair County Water Commission proposes to raise its fees for supplying water service to its customer, Columbia/Adair Utilities District .

NOW, THEREFORE, BE IT AND IT IS HEREBY ORDAINED BY THE BOARD OF COMMISSIONERS OF THE COLUMBIA/ADAIR COUNTY WATER COMMISSION AS FOLLOWS:

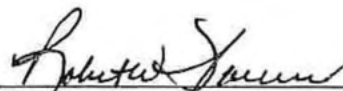
1. The charge to serve water to the Columbia/Adair Utilities District will change from \$2.10 to \$2.42/1000 gallons of water.
2. This change shall become effective upon the next billing period following this meeting date.

Passed and adopted this 14th day of December, 2010.



Rudy Higginbotham, Chairman

Attest:



Robert Flowers, Secretary/Treasurer

EXHIBIT G.4

BOND RESOLUTION

ADAIR COUNTY WATER DISTRICT D/B/A
COLUMBIA/ADAIR UTILITIES DISTRICT

AUTHORIZING

ADAIR COUNTY WATER DISTRICT
UTILITIES REVENUE BONDS, SERIES 2020

IN THE PRINCIPAL AMOUNT OF

\$1,945,000

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EXHIBIT C - Requisition Certificate		

BOND RESOLUTION

RESOLUTION OF THE ADAIR COUNTY WATER DISTRICT D/B/A COLUMBIA/ADAIR UTILITIES DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,945,000 PRINCIPAL AMOUNT OF ADAIR COUNTY WATER DISTRICT UTILITIES REVENUE BONDS, SERIES 2020 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING COMBINED AND CONSOLIDATED 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 COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the combined and consolidated water and sewer system (the "System") of the Adair County Water District d/b/a Columbia/Adair Utilities 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 \$1,945,000 (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 Kentucky Engineering Group, PLLC 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 subject to the vested rights and priorities in favor of the owners of the outstanding Prior Bonds, and

WHEREAS, the District has filed an application with the Kentucky Public Service Commission for the issuance of 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 \$647,930, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE ADAIR COUNTY WATER DISTRICT D/B/A COLUMBIA/ADAIR UTILITIES DISTRICT, 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 2009" or "Series 2009 Bonds" refer to the outstanding Adair County Water District Water Revenue Bonds, Series of 2009, dated February 26, 2010, in the original authorized principal amount of \$1,100,000.

"Bonds of 2011" or "Series 2011 Bonds" refer to the outstanding Columbia/Adair County Water Commission Water Revenue Bonds of 2011, dated March 9, 2012, in the original authorized principal amount of \$1,200,000.

"Bonds of 2013" or "Series 2013 Bonds" refer to the outstanding Adair County Water District Water Revenue Bonds, Series of 2013, dated May 30, 2013, in the original authorized principal amount of \$1,459,000.

"Bonds of 2014" or "Series 2014 Bonds" refer to the outstanding Adair County Water District Utilities Revenue Bonds, Series 2014, dated January 29, 2016, in the original authorized principal amount of \$694,000.

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

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

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

"Construction Account" refers to the Adair County Water District d/b/a Columbia/Adair Utilities District Utilities 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 \$1,945,000 of Adair County Water District Utilities Revenue Bonds, Series 2020 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Adair County Water District USDA Sinking Fund of 2020, created in Section 401 of this Resolution.

"Debt Reserve Fund" refers to the Adair County Water District USDA Debt Reserve Fund of 2020, described in Section 402 of this Resolution.

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

"District" refers to the Adair County Water District d/b/a Columbia/Adair Utilities District.

"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 Kentucky Engineering Group, PLLC, 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 Prior Sinking Fund, the Current Sinking Fund, the Debt Reserve 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.

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

"Interim Lender" refers to United Citizens Bank, Columbia, Kentucky, their successors or assigns; or any other financial institution or governmental agency approved by the District.

"KIA Loans" refers to the various outstanding Kentucky Infrastructure Authority loans to the District.

"KRWFC Loan" collectively refers to the KRWFC 2013-D Loan and the KRWFC 2020-E Loan.

"KRWFC 2013D Loan" refers to the outstanding Kentucky Rural Water Finance Corporation 2013D loan to the District, dated June 5, 2013, in the original principal amount of \$3,780,000.

"KRWFC 2020G Loan" refers to the outstanding Kentucky Rural Water Finance Corporation 2020G loan to the District, dated October 13, 2020, in the original principal amount of \$5,110,000.

"Local Counsel" refers to Marshall F. Loy, Esq., Columbia, 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 Utilities 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 2009 Bonds, the Series 2011 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the KIA Loans, the 2013D KRWFC Loan and the 2020E KRWFC Loan.

"Prior Bond Resolution" refers to the resolutions authorizing the Prior Bonds.

"Prior Sinking Fund" refers to the Utilities Sinking Fund, described in Section 401 of this 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 United States Department of Agriculture, acting through Rural Development.

"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 Utilities Revenue Fund, described in Section 401 of this Resolution.

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

"System" refers to the existing combined and consolidated 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 \$2,592,930. 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 \$1,945,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$2,592,930
Less:		
RD Grant	<u>\$ 647,930</u>	
Total Non-Bond Funds:		<u>(647,930)</u>
Balance to be financed by Current Bonds		\$1,945,000

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 \$1,945,000 principal amount of Adair County Water District Utilities Revenue Bonds, Series 2020.

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 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 secured by and payable out of the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding 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, 2030, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2030, shall be subject to prepayment by the District on any date falling on and after January 1, 2029, at par plus accrued interest, without any prepayment penalty.

So long as the registered owner of the Current Bonds is the United States of America, or any agency thereof, the entire principal amount of the Current Bonds, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on the Current Bonds shall, after payment of interest, be applied to the installments last to become due hereunder and shall not affect the obligation of the District to pay the remaining installments in accordance with the Current Bonds.

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 \$425,000 (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 \$425,000, 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 "Adair County Water District Utilities 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.

(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 Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$45,000) 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 Current 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 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 Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current 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 \$1,945,000 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 \$1,945,000. 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 \$1,945,000 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) Utilities Revenue Fund;
- (b) Utilities Sinking Fund;
- (c) Utilities Depreciation Fund;
- (d) Utilities Operation and Maintenance Fund;
- (e) Adair County Water District Utilities Sinking Fund of 2017; and
- (f) Adair County Water District Utilities Debt Reserve Fund of 2017.

The is hereby created and established in this Resolution the following funds and accounts:

- (a) Adair County Water District USDA Sinking Fund of 2020; and
- (b) Adair County Water District USDA Debt Reserve Fund of 2020.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding subject to the right of the District to designate a different depository bank.

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. Prior Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Prior 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:

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on all Prior Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior Bonds maturing on the next succeeding principal payment date.

Said Prior Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

C. Current Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at \$45,000) to provide for capitalized interest 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.

After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current 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 Current Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds, but subject to the vested rights and priorities of the Prior Bonds.

D. Debt Reserve Fund. It is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$530 each month which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$63,600, which amount shall be maintained, and when necessary, restored to said sum of \$63,600, 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 Debt Reserve Fund, there shall be deposited into said Debt Reserve 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 Debt Reserve 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.

E. 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.

F. 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.

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

H. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Debt Reserve 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 Debt Reserve 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.

Any 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 are Subordinate to the Prior Bonds. It is hereby certified and declared that the Current Bonds shall be subordinate to the lien and pledge of the Prior Bonds on the gross 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 combined and consolidated 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. Civil Rights and Equal Opportunity. The District covenants and agrees to comply with all applicable Federal laws and statutes, including but not limited to:

(a) *Section 504 of the Rehabilitation Act of 1973.* The District acknowledges that under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RHS financial assistance.

(b) *Civil Rights Act of 1964.* The District acknowledges that it is subject to, and its Facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*) and Subpart E of Part 1901 of said Title VI, particularly as it relates to conducting and reporting of compliance reviews.

(c) *Americans with Disabilities Act (ADA) of 1990.* The District acknowledges that the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 *et seq.*) [the "ADA Act"] prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the ADA Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the ADA Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

(d) *Age Discrimination Act of 1975.* The District acknowledges that the Age Discrimination Act of 1975 (42 U.S.C. 6101 *et seq.*) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

(e) *Limited English Proficiency (LEP) under Executive Order 13166.* The District acknowledges that LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the grounds of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write or understand English. These individuals may be entitled to language assistance, free of charge. The District agrees to take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to RHS programs, services and information the District provides. These protections are pursuant to Executive Order 13166 entitled "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005 "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.

Section 507. 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 combined and consolidated 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 Debt Reserve Fund on the same basis as that prescribed in the provisions establishing such Debt Reserve 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 \$647,930 (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. 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 806. 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 combined and consolidated 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 combined and consolidated water and sewer lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such combined and consolidated 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 when-

ever 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 807. 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 October 8, 2020.

Adair County Water District
d/b/a Columbia/Adair Utilities District


Chairman

(Seal of District)

Attest:



Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Adair County Water District d/b/a Columbia/Adair Utilities 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 October 8, 2020, 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 October 8, 2020.


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>
2022	\$37,000	2042	\$48,500
2023	37,500	2043	49,000
2024	38,000	2044	49,500
2025	38,500	2045	50,500
2026	39,000	2046	51,000
2027	39,500	2047	52,000
2028	40,000	2048	52,500
2029	40,500	2049	53,000
2030	41,000	2050	54,000
2031	41,500	2051	54,500
2032	42,000	2052	55,500
2033	43,000	2053	56,000
2034	43,500	2054	57,000
2035	44,000	2055	58,000
2036	44,500	2056	58,500
2037	45,000	2057	59,500
2038	46,000	2058	60,000
2039	46,500	2059	61,000
2040	47,000	2060	62,000
2041	47,500	2061	61,500

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

**UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
ADAIR COUNTY WATER DISTRICT
UTILITIES REVENUE BONDS, SERIES 2020**

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

KNOW ALL PERSONS BY THESE PRESENTS:

That the Adair County Water District d/b/a Columbia/Adair Utilities District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Adair County, Kentucky, for value received, hereby promises to pay to

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

_____ DOLLARS (\$ _____),

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

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

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

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

This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) Adair County Water District Water Revenue Bonds, Series of 2009, dated February 26, 2010 (the "2009 Bonds"); (ii) Columbia/Adair County Water Commission Water Revenue Bonds of 2011, dated March 9, 2012 (the "2011 Bonds"); (iii) Adair County Water District Water Revenue Bonds, Series of 2013, dated May 30, 2013 (the "2013 Bonds"); (iv) Adair County Water District Utilities Revenue Bonds, Series 2014, dated January 29, 2016 (the "2014 Bonds"); (v) Kentucky Infrastructure Authority loans to the District (collectively, the "KIA Loans"); (vi) Kentucky Rural Water Finance Corporation 2013D loan to the District, dated June 5, 2013 (the "KRWFC 2013D Loan"); and (vii) Kentucky Rural Water Finance Corporation 2020G loan to the District, dated October 13, 2020 (the "KRWFC 2020E Loan"); [hereinafter the 2009 Bonds, the 2011 Bonds, the 2013 Bonds, the 2014 Bonds, the KIA Loans, the KRWFC 2013D Loan and the KRWFC 2020E Loan shall be collectively referred to as the "Prior Bonds"]. Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the Prior Bonds.

This Bond has been issued in full compliance with the Current Bond Resolution and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "USDA Sinking Fund of 2020", created in the Current Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Current 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 Act for the security and source of payment of the Current 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 principal of and interest on the Current Bonds and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2029, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on this Bond shall, after payment of interest, be applied to the installments last to become due hereunder and shall not affect the obligation of the District to pay the remaining installments in accordance with this Bond.

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

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

IN WITNESS WHEREOF said Adair County Water District d/b/a Columbia/Adair Utilities 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

ADAIR COUNTY WATER DISTRICT D/B/A
COLUMBIA/ADAIR UTILITIES DISTRICT

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Adair County Water District Utilities Revenue Bonds, Series 2020, in the principal amount of \$1,945,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Adair County Water District d/b/a Columbia/Adair Utilities District (the "District").

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

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

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

Adair County Water District d/b/a
Columbia/Adair Utilities District

Kentucky Engineering Group, PLLC

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____

Amount approved herein _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount