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APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

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

Western Fleming Water District

(Name of Utility)

1500 Ewing Road

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

Ewing, Kentucky 41039

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

(606) 267-2200

(Telephone Number)

BASIC INFORMATION

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

Vernon Barton

(Name)

1500 Ewing Road

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

Ewing, Kentucky 41039

(Address - City, State, Zip)

(606) 267-2120

(Telephone Number)

wfwd@windstream.net

(Email Address)

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

YES NO N/A

- | | | | | | |
|----|----|--|-------------------------------------|-------------------------------------|--|
| 1. | a. | In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| | b. | Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| 2. | a. | Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| | b. | Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 3. | | Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

YES NO N/A

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

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2020.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 10,822 and total revenues from service rates of \$ 1,357,106. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 1,535 customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

YES NO N/A

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

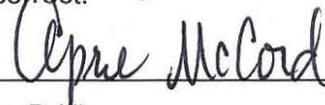
By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

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

Signed 
Officer of the Company/Authorized Representative
 Title Chairman
 Date 10-25-2021

COMMONWEALTH OF KENTUCKY
 COUNTY OF Fleming

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


 Notary Public
 My commission expires: 6-21-2025

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- Attachment Billing Analysis" Attachment
- Depreciation Schedules
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3

LIST OF ATTACHMENTS
WESTERN FLEMING WATER DISTRICT

1. Customer Notice of Proposed Rate Adjustments
2. Reasons for Application
3. Current and Proposed Rates
4. Statement of Adjusted Operations and Revenue Requirements with the following attachments:
 - i. References
 - ii. Table A - Depreciation Expense Adjustments
 - iii. Table B - Debt Service Schedule
5. Current Billing Analysis
6. Proposed Billing Analysis
7. Depreciation Schedule
8. Outstanding Debt Instruments
 - i. 1988 Bonds
 - ii. 1997 Bonds
 - iii. 2002 Bonds
 - iv. 2010 KIA Loan
 - v. 2020 RD Loan
9. Amortization Schedules
10. Statements of Disclosure of Related Party Transactions
11. Board Resolution

Attachment #1

WESTERN FLEMING WATER DISTRICT CUSTOMER NOTICE

Notice is hereby given that the Western Fleming Water District expects to file an application with the Kentucky Public Service Commission on or about October 29, 2021, seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

<u>RETAIL RATES</u>				
<u>Rate per Thousand Gallons</u>				
<u>per Month</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
First 1,000 Gallons	\$ 18.63	\$ 18.78	\$	0.15
Next 6,000 Gallons	\$ 10.28	\$ 10.36	\$	0.08
Next 3,000 Gallons	\$ 8.46	\$ 8.53	\$	0.07
Over 10,000 Gallons	6.77	\$ 6.82	\$	0.05

<u>WHOLESALE RATE</u>				
<u>Rate per Thousand Gallons</u>				
<u>per Month</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
For all Water Sold	\$ 2.14	\$ 2.16	\$	0.02

<u>WATER LOSS REDUCTION SURCHARGE</u>				
<u>Amount per Customer</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
<u>per month</u>	\$ -	\$ 1.46	\$	1.46

If the Public Service Commission approves the proposed rates, then the monthly bill for a customer using an average of 4,000 gallons per month will increase from \$49.47 to \$49.86. This is an increase of \$0.39 or 0.79%. The District is also applying for a Water Loss Reduction Surcharge of \$1.46 per customer per month for 48 months.

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

Western Fleming Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the District's office located at 1500 Ewing Road, Ewing, KY, 41039. You may contact the office at 606-267-2120.

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

Service Commission, PO Box 615, Frankfort, Kentucky, 40602. You may contact the Public Service Commission at 502-564-3940.

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

**WHOLESALE CUSTOMER NOTICE
TO BUFFALO TRAIL WATER ASSOCIATION**

Notice is hereby given that the Western Fleming Water District expects to file an application with the Kentucky Public Service Commission on or about October 28, 2021, seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

WHOLESALE RATE

<u>Rate per Thousand Gallons</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
<u>per Month</u>			
For all Water Sold	\$ 2.14	\$ 2.16	\$ 0.02

WATER LOSS REDUCTION SURCHARGE

<u>Amount per Customer</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
<u>per month</u>	\$ -	\$ 1.46	\$ 1.46

If the Public Service Commission approves the proposed rates, then the monthly bill for a wholesale customer using an average of 9,597,333 gallons per month will increase from \$20,538.29 to \$20,731.700. This is an increase of \$193.41 or 0.94%.

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

Western Fleming Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the District's office located at 1500 Ewing Road, Ewing, KY 41039. You may contact the office at 606-267-2100.

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

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

**WHOLESALE CUSTOMER NOTICE
TO NICHOLAS COUNTY WATER DISTRICT**

Notice is hereby given that the Western Fleming Water District expects to file an application with the Kentucky Public Service Commission on or about October 28, 2021, seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

WHOLESALE RATE

<u>Rate per Thousand Gallons</u>				
<u>per Month</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
For all Water Sold	\$ 2.14	\$ 2.16	\$ 0.02	

WATER LOSS REDUCTION SURCHARGE

<u>Amount per Customer</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
<u>per month</u>	\$ -	\$ 1.46	\$ 1.46	

If the Public Service Commission approves the proposed rates, then the monthly bill for a wholesale customer using an average of 6,512,325 gallons per month will increase from \$13,936.38 to \$14,068.08. This is an increase of \$131.70 or 0.95%.

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

Western Fleming Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the District's office located at 1500 Ewing Road, Ewing, KY 41039. You may contact the office at 606-267-2100.

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

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

Attachment #2

Reasons for Application

Western Fleming Water District (“the District”) is requesting a 0.8 percent rate increase for all of its water customers. The rate increase will generate approximately \$10,822 in additional annual revenue. A Water Loss Reduction Surcharge of \$1.46 per customer per month is included in the application to help lower system losses to more acceptable levels.

The District needs the rate increase for the following reasons:

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

Attachment #3

CURRENT AND PROPOSED RATES
WESTERN FLEMING COUNTY WATER DISTRICT

RETAIL RATES

<u>Rate per Thousand Gallons</u>					
<u>per Month</u>	<u>Current</u>		<u>Proposed</u>		<u>Difference</u>
First 1,000 Gallons	\$ 18.63	\$	18.78	\$	0.15
Next 6,000 Gallons	\$ 10.28	\$	10.36	\$	0.08
Next 3,000 Gallons	\$ 8.46	\$	8.53	\$	0.07
Over 10,000 Gallons	6.77	\$	6.82	\$	0.05

WHOLESALE RATE

<u>Rate per Thousand Gallons</u>					
<u>per Month</u>	<u>Current</u>		<u>Proposed</u>		<u>Difference</u>
For all Water Sold	\$ 2.14	\$	2.16	\$	0.02

WATER LOSS REDUCTION SURCHARGE

<u>Amount per Customer</u>	<u>Current</u>		<u>Proposed</u>		<u>Difference</u>
<u>per month</u>	\$ -	\$	1.46	\$	1.46

Attachment #4

SCHEDULE OF ADJUSTED OPERATIONS
Western Fleming County Water District

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Proforma</u>
<u>Operating Revenues</u>				
Total Metered Retail Sales	1,282,838	(385,213)	A	
		11,173	B	
		23,790	C	932,588
Private Fire Protection	-			-
Sales for Resale	-	385,213	A	
		28,483	C	413,696
Other Water Revenues:				
Forfeited Discounts	-			-
Misc. Service Revenues	21,630	(11,173)	B	
		(6,800)	J	3,657
Other Water Revenues	-			-
Total Operating Revenues	1,304,468			1,349,941
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	252,332	23,371	D	
		(2,040)	J	273,663
Salaries and Wages - Officers	22,800	1,200	G	24,000
Employee Pensions and Benefits	88,347	(1,608)	E	
		(10,428)	K	76,311
Purchased Water	94,002	(8,104)	H	85,898
Purchased Power	88,784	(7,654)	H	81,130
Chemicals	122,045	(10,522)	H	111,523
Materials and Supplies	44,355	(4,760)	J	39,595
Contractual Services	91,825			91,825
Rental of Building/Real Property	-			-
Transportation Expenses	-			-
Insurance - Gen. Liab. & Workers Comp.	20,993			20,993
Insurance - Other	-			-
Bad Debt	30,188	(88)	I	30,100
Miscellaneous Expenses	32,305			32,305
Total Operation and Mnt. Expenses	887,976			867,342
Depreciation Expense	244,018	551	L	
		(22,785)	M	221,783
Taxes Other Than Income	21,375	(284)	F	21,091
Total Operating Expenses	1,153,369			1,110,217
Total Utility Operating Income	151,099			239,724

REVENUE REQUIREMENTS

Pro Forma Operating Expenses	1,110,217
Plus: Average Annual Principal and Interest Payments	212,592
Additional Working Capital	42,518
Total Revenue Requirement	1,365,328
Less: Other Operating Revenue	3,657
Private Fire Protection	-
Interest Income	4,565
Revenue Required From Sales of Water	1,357,106
Less: Revenue from Sales with Present Rates	1,346,284
Required Revenue Increase	10,822
Percent Increase	0.80%

REFERENCES

- A. Sales for Resale of \$385,213 were incorrectly included in Total Metered Retail Sales for the 2020 PSC Annual Report. This was moved to Sales for Resale.
- B. Sales to Public Authorities of \$11,173 were incorrectly included in Other Water Revenues for the 2020 PSC Annual Report. This was moved to Total Metered Retail Sales.
- C. The Current Billing Analysis results in pro forma Total Metered Retail Sales of \$932,588. This reflects a full year at the new retail rates that were implemented in May 2020 and indicates an addition to reported Total Metered Retail Sales of \$23,790 is required.

Similarly, the Current Billing Analysis results in pro forma Sales for Resale of \$413,696. This reflects a full year at the new wholesale rates that were implemented in May 2020 and indicates an addition to Sales for Resale of \$28,483 is required.
- D. Since 2020, there have been increases in hourly wage rates resulting in an annual increase for salaries and wages of 23,371.
- E. The increase in wages coupled with an increase in the employer's contribution rate charged by CERS was more than offset by fewer employees participating will result in slightly lower payments for the retirement program. These payments are estimated to decrease by \$1,608.
- F. The change in wages also results in lower payroll taxes of \$284 compared to previously reported amounts.
- G. The District has filled a previously vacant Commissioner position, resulting in an annual increase of \$1,200.
- H. The District's test year water loss was 23.62 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water, Purchased Power, and Chemicals related to water purchased and pumped above the 15 percent limit are not allowed in the rate base and must be deducted.
- I. The amount of Bad Debt Expenses was incorrectly reported in the 2020 PSC Annual Report and was reduced by \$88.
- J. The District collected \$6,800 in connection fees in 2020. These connections were installed by District forces and were recorded as labor and materials expenses. Labor expense has been reduced by \$2,040 or 30% of the tapping fees while Materials and Supplies expense has been reduced by \$4,760 or 70% of the tapping fees.

- K. The District currently pays 100 percent of its employees' health and dental insurance premiums. The PSC requires that expenses associated with this level of employer-funded premiums be adjusted to be consistent with the Bureau of Labor Statistics' national average for an employer's share of health insurance premiums. Average employer shares from BLS are currently 79 percent for single coverage and 66 percent for families. The PSC also limits expenses associated with dental insurance premiums to 60 percent for single and family coverages. Applying those percentages to premiums to be paid in the current year results in a deduction from 2020 benefits expense of \$10,428.
- L. The amount of Depreciation Expense was incorrectly reported in the 2020 PSC Annual Report and was increased by \$551.
- M. The District has a pipeline under construction and approaching completion and will be in service in 2022. The engineer's estimated final cost of the pipeline is \$1,972,330.74. This has been added to the depreciable assets for this rate study.

Additionally, the PSC requires adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Utilities".

Therefore, adjustments are included to add the pipeline under construction and to bring asset lives to the midpoint of the recommended ranges to decrease Depreciation Expense by \$22,785 as shown in Table A.

- N. The annual debt service payments for the District's bonds and loans are shown in Table B. The five-year average of these payments is added in the revenue requirement calculation.
- O. The amount shown in Table B for coverage on long term debt is required by the District's loan documents. This is included in the revenue requirement as Additional Working Capital.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS
Western Fleming County Water District

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Life</u>	<u>Reported Depr. Exp.</u>	<u>Life</u>	<u>Proforma Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<u>General Plant</u>							
Structures & Improvements	various	\$ 245,844	varies	7,624	37.5	6,556	(1,068)
Communication & Computer Eqmt.	various	\$ 51,968	varies	7,877	10.0	5,197	(2,681)
Office Furniture & Equipment	various	\$ 8,435	varies	1,205	22.5	375	(830)
Power Operated Equipment					12.5	-	-
Tools, Shop, & Garage Equipment					17.5	-	-
Tank Repairs & Painting					15.0	-	-
<u>Source of Supply Plant</u>							
Collecting & Impounding Reservoirs	various	\$ 452,837	50	9,057	62.5	7,245	(1,811)
Supply Mains	08/01/11	\$ 2,316,043	50	46,321	62.5	37,057	(9,264)
<u>Pumping Plant</u>							
Structures & Improvements					37.5	-	-
Telemetry					10.0	-	-
Pumping Equipment	various	\$ 11,539	20.0	574	20.0	577	3
<u>Transmission & Distribution Plant</u>							
Hydrants					50.0	-	-
Transmission & Distribution Mains	various	\$ 2,955,541	varies	52,420	62.5	47,289	(5,131)
Main Construction Work in Progress	underway	\$ 1,972,331			62.5	31,557	31,557
Meter Installations					45.0	-	-
Meter Change-outs	various	\$ 468,466	20	23,423	15.0	31,231	7,808
Pump Equipment					20.0	-	-
Tank Fence					37.5	-	-
Services	various	\$ 26,174	20	1,309	40.0	654	(654)
Reservoirs & Tanks	01/01/81	\$ 82,275	40	2,057	45.0	1,828	(229)
Tank Painting & Repairs	various	\$ 40,850	20	1,783	15.0	2,723	941
<u>Transportation Equipment</u>							
Entire Group	various	\$ 41,415	varies	2,611	7.0	5,916	3,305
<u>Water Treatment Plant</u>							
Structures and Improvements	various	\$ 2,343,654	varies	71,591	62.5	37,498	(34,093)
Water Treatment Equipment	various	\$ 167,177	varies	16,718	27.5	6,079	(10,639)
TOTALS		\$ 11,184,550		\$ 244,569		\$ 221,784	\$ (22,785)

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

Table B
DEBT SERVICE SCHEDULE
Western Fleming County Water District
CY 2022 - 2026

	<u>CY 2022</u>		<u>CY 2023</u>		<u>CY 2024</u>		<u>CY 2025</u>		<u>CY 2026</u>		<u>TOTALS</u>
	<u>Principal</u>	<u>Interest & Fees</u>									
1988 Bonds	14,000	5,450	15,000	4,725	16,000	3,950	17,000	3,125	17,000	2,275	98,525
1997 Bonds	18,500	18,484	19,500	17,629	20,000	16,740	21,000	15,818	22,000	14,850	184,520
2002 Bonds	11,000	16,493	11,500	15,986	12,000	15,458	12,500	14,906	13,000	14,333	137,175
2010 KIA Loan	80,337	21,365	81,551	20,354	82,368	19,332	83,194	18,119	84,028	17,257	507,904
2020 RD Loan	15,200	11,813	15,400	11,583	15,600	11,351	15,800	11,115	16,100	10,876	134,837
TOTALS	139,037	73,604	142,951	70,277	145,968	66,830	149,494	63,083	152,128	59,590	\$ 1,062,961
Average Annual Principal & Interest										\$	212,592
Average Annual Coverage										\$	42,518

Attachment #5

CURRENT BILLING ANALYSIS WITH 2020 USAGE & EXISTING RATES
Western Fleming Water District

SUMMARY

COMPONENT	BILLS	GALLONS	REVENUE	
RETAIL	17,976	80,521	\$ 962,434	
WHOLESALE	<u>24</u>	<u>193,316</u>	<u>\$ 413,696</u>	
TOTAL METERED WATER SALES	18,000	273,837	\$ 1,376,130	
RETAIL			\$ 962,434	
LESS ADJUSTMENTS			<u>\$ (29,846)</u>	
NET RETAIL			\$ 932,588	
FROM PSC ANNUAL REPORT			<u>\$ 908,798</u>	
DIFFERENCE			\$ 23,790	ADJUSTMENT TO SAO BILLED RETAIL REVENUES
WHOLESALE			\$ 413,696	
FROM PSC ANNUAL REPORT			<u>\$ 385,213</u>	
DIFFERENCE			\$ 28,483	ADJUSTMENT TO SAO BILLED WHOLESALE REVENUES

RETAIL USAGE BY RATE INCREMENT

	USAGE	BILLS	THOUSAND GALLONS	FIRST 1,000	NEXT 6,000	NEXT 3,000	ALL OVER 10,000	TOTAL
FIRST	1,000	3,527	(1,641)	(1,641)	-	-	-	(1,641)
NEXT	6,000	11,930	39,310	11,930	27,380	-	-	39,310
NEXT	3,000	1,106	9,091	1,106	6,636	1,349	-	9,091
ALL OVER	10,000	1,413	33,761	1,413	8,478	4,239	19,631	33,761
		17,976	80,521	12,808	42,494	5,588	19,631	80,521

METERS BY RATE INCREMENT

	FIRST 1,000	NEXT 6,000	NEXT 3,000	ALL OVER 10,000	TOTAL
SINGLE	3,503	11,720	1,028	1,276	17,527
DOUBLE	24	198	66	105	393
TRIPLE	-	6	2	24	32
FIVE	-	-	8	4	12
SIX	-	6	2	4	12
	3,527	11,930	1,106	1,413	17,976

RETAIL REVENUE BY RATE INCREMENT

	BILLS	THOUSAND GALLONS	RATE	REVENUE
SINGLE	17,527		\$ 18.63	\$ 326,528.01
DOUBLE	393		\$ 37.26	\$ 14,643.18
TRIPLE	32		\$ 55.89	\$ 1,788.48
FIVE	12		\$ 93.15	\$ 1,117.80
SIX	12		\$ 111.78	\$ 1,341.36
FIRST	1,000	12,808	\$ -	\$ -
NEXT	6,000	42,494	\$ 10.28	\$ 436,837.81
NEXT	3,000	5,588	\$ 8.46	\$ 47,275.88
ALL OVER	10,000	19,631	\$ 6.77	\$ 132,901.84
TOTAL	17,976	80,521		\$ 962,434.35

REVENUE FROM WHOLESALE SALES

	BILLS	THOUSAND GALLONS	RATE	REVENUE
Wholesale	24	193,316	\$ 2.14	\$ 413,696.03

Attachment #6

PROPOSED BILLING ANALYSIS WITH 2020 USAGE & PROPOSED RATES
Western Fleming Water District

SUMMARY

	BILLS	GALLONS	REVENUE
RETAIL	17,976	80,521	\$ 969,988
WHOLESALE	24	193,316	417,562
TOTAL	18,000	273,837	\$ 1,387,550
LESS ADJUSTMENTS			\$ (29,846)
NET TOTAL			\$ 1,357,704

RETAIL USAGE BY RATE INCREMENT

	USAGE	BILLS	THOUSAND GALLONS	FIRST 1,000	NEXT 6,000	NEXT 3,000	ALL OVER 10,000	TOTAL
FIRST	1,000	3,527	(1,641)	(1,641)	-	-	-	(1,641)
NEXT	6,000	11,930	39,310	11,930	27,380	-	-	39,310
NEXT	3,000	1,106	9,091	1,106	6,636	1,349	-	9,091
ALL OVER	10,000	1,413	33,761	1,413	8,478	4,239	19,631	33,761
		17,976	80,521	12,808	42,494	5,588	19,631	80,521

METERS BY RATE INCREMENT

	FIRST 1,000	NEXT 6,000	NEXT 3,000	ALL OVER 10,000	TOTAL
SINGLE	3,503	11,720	1,028	1,276	17,527
DOUBLE	24	198	66	105	393
TRIPLE	-	6	2	24	32
FIVE	-	-	8	4	12
SIX	-	6	2	4	12
	3,527	11,930	1,106	1,413	17,976

RETAIL REVENUE BY RATE INCREMENT

	BILLS	THOUSAND GALLONS	RATE	REVENUE
SINGLE	17,527		\$ 18.78	\$ 329,157.06
DOUBLE	393		\$ 37.56	\$ 14,761.08
TRIPLE	32		\$ 56.34	\$ 1,802.88
FIVE	12		\$ 93.90	\$ 1,126.80
SIX	12		\$ 112.68	\$ 1,352.16
FIRST	1,000	12,808	\$ -	\$ -
NEXT	6,000	42,494	\$ 10.36	\$ 440,237.32
NEXT	3,000	5,588	\$ 8.53	\$ 47,667.05
ALL OVER	10,000	19,631	\$ 6.82	\$ 133,883.39
TOTAL	17,976	80,521		\$ 969,987.74

REVENUE FROM WHOLESALE SALES

	BILLS	THOUSAND GALLONS	RATE	REVENUE
Wholesale	24	193,316	\$ 2.16	\$ 417,562.34

Attachment #7

Western Fleming Water District
 Fixed Assets
 12/31/2020

Group #1 Water Lines

Number	Property Description	Acquired	Method	Life	Cost/Basis	2020 Deprec	Accum Deprec @ 12/31/20	Book Value
15	TAP ONS	1/1/1992	SL	20	6,150.00	-	6,303.75	(153.75)
16	TAP ONS	1/1/1992	SL	20	5,502.00	-	5,662.48	(160.48)
13	TAP ONS	1/1/1993	SL	20	6,970.00	-	6,970.00	-
17	TAP ONS	1/1/1993	SL	20	6,970.00	-	6,970.00	-
14	TAP ONS	1/1/1995	SL	20	9,242.50	-	9,242.58	(0.08)
18	TAP ONS	1/1/1995	SL	20	9,242.50	-	9,242.58	(0.08)
19	TAP ONS	1/1/1996	SL	20	13,831.31	-	13,831.37	(0.06)
20	TAP ONS	1/1/1997	SL	20	6,052.45	-	6,052.48	(0.03)
21	TAP ONS	1/1/1998	SL	20	9,450.33	-	9,922.80	(472.47)
22	TAP ONS	1/1/1999	SL	20	20,481.10	-	20,481.16	(0.06)
23	TAP ONS	1/1/2000	SL	20	8,832.98	-	8,832.98	(0.00)
24	TAP ONS	6/30/2001	SL	20	8,119.84	405.99	7,916.83	203.01
25	TAP ONS	6/30/2002	SL	20	5,276.65	263.83	4,880.89	395.76
27	TAP ONS	6/30/2004	SL	20	6,464.90	323.25	5,333.57	1,131.34
29	TAP ONS	6/30/2005	SL	20	6,312.50	315.63	4,892.21	1,420.30
34	RUARK DIGGERS	3/22/2009	SL	20	8,984.30	449.22	5,390.59	3,593.72
36	Water Tower Improvements	8/1/2011	SL	20	33,050.00	1,652.50	16,525.00	16,525.00
39	New Valves-water plant	6/1/2015	SL	20	10,613.99	530.70	3,184.20	7,429.79
1	Transition Line	01/01/64	SL	50	350,204.55	-	350,204.55	(0.00)
2	Transition Line	1/1/1981	SL	50	776,875.81	15,537.52	615,026.79	161,849.02
3	Transition Line	1/1/1985	SL	50	15,550.00	311.00	13,141.50	2,408.50
4	Transition Line	1/1/1986	SL	50	21,650.00	433.00	17,751.50	3,898.50
5	Transition Line	1/1/1989	SL	50	557,516.55	11,150.33	415,350.02	142,166.53
6	Transition Line	1/1/1990	SL	50	16,015.00	320.30	11,530.14	4,484.86
7	Transition Line	1/1/1991	SL	50	20,503.00	410.06	14,250.10	6,252.90
8	Transition Line	1/1/1991	SL	50	7,317.49	146.35	4,329.53	2,987.96
9	Transition Line	1/1/1991	SL	50	114,271.95	2,285.44	67,610.92	46,661.03
10	93 LINE E	1/1/1993	SL	50	9,120.00	182.40	5,016.00	4,104.00
11	88 PROJECT	1/1/1993	SL	50	51,637.15	1,032.74	28,400.38	23,236.77
12	Transition Line	1/1/1995	SL	50	174,587.17	3,491.74	101,697.04	72,890.13
26	MAINT ON LINES	6/30/2004	SL	50	29,873.80	597.48	14,787.54	15,086.26
28	WATER LINES	6/30/2005	SL	50	59,781.36	1,195.63	18,532.23	41,249.13

Western Fleming Water District

Fixed Assets

12/31/2020

30	Transition Line	6/30/2005	SL	50	49,808.68	996.17	15,440.68	34,368.00
31	WATER LINE SUPPLIES	12/19/2007	SL	50	17,078.00	341.56	5,891.91	11,186.09
32	NEW WATER LINES	7/28/2008	SL	50	30,259.98	605.20	11,044.90	19,215.08
35	NEW WATER LINES at River	8/1/2011	SL	50	2,316,043.13	46,320.86	463,208.63	1,852,834.50
37	LAGOON	9/1/2012	SL	50	439,633.90	8,792.68	79,134.10	360,499.80
38	LAGOON-ASL final pymt	1/1/2013	SL	50	13,203.00	264.06	2,112.48	11,090.52
33	TRUE UP PYS	1/1/2008	SL	75	1,003,695.35	13,382.60	107,060.84	896,634.51
						-	-	
						-	-	
						-	-	
TOTAL					6,256,173.22	111,738.23	2,513,157.20	3,743,016.02

GROUP 2 METERS

1	METERS	1/1/1972	SL	20	34,135.40	-	34,135.40	-
2	METERS	1/1/1981	SL	20	62,500.00	-	62,500.00	-
3	METERS	1/1/1982	SL	20	2,500.00	-	2,500.00	-
4	METERS	1/1/1983	SL	20	8,320.00	-	8,320.00	-
5	METERS	1/1/1984	SL	20	1,750.00	-	1,750.00	-
6	METERS	1/1/1985	SL	20	6,250.00	-	6,250.00	-
7	METERS	1/1/1986	SL	20	7,500.00	-	7,500.00	-
8	METERS	1/1/1987	SL	20	1,050.00	-	1,050.00	-
9	METERS	1/1/1988	SL	20	5,825.00	-	5,825.00	-
10	METERS	1/1/1989	SL	20	31,000.00	-	31,000.00	-
11	METERS	1/1/1990	SL	20	5,830.00	-	5,830.00	-
12	METERS	1/1/1991	SL	20	5,400.00	-	5,557.50	(157.50)
13	TAP ONS	1/1/1996	SL	20	13,831.31	-	14,522.94	(691.63)
14	METERS	1/1/1997	SL	20	6,052.45	-	6,052.48	(0.03)
15	METERS	1/1/1998	SL	20	9,450.32	-	9,922.79	(472.47)
16	METERS	1/1/1999	SL	20	20,481.10	-	20,481.16	(0.06)
17	METERS	1/1/2000	SL	20	8,832.99	-	8,833.00	(0.00)
18	METERS	6/30/2001	SL	20	15,013.90	750.70	14,638.60	375.31
19	METERS	6/30/2001	SL	20	8,119.84	405.99	7,916.83	203.01
20	METERS	6/30/2002	SL	20	18,046.15	902.31	16,692.70	1,353.45
21	METERS	6/30/2002	SL	20	5,276.65	263.83	4,880.89	395.76
22	METERS	6/30/2004	SL	20	6,464.90	323.25	5,333.57	1,131.34

Western Fleming Water District

Fixed Assets

12/31/2020

23	METERS	6/30/2005	SL	20	6,312.50	315.63	4,892.21	1,420.30
27	METERS	6/1/2006	SL	20	37,692.30	-	37,692.31	(0.00)
24	SETTING NEW METERS	6/26/2006	SL	20	2,700.00	135.00	1,957.50	742.50
25	METERS	11/17/2006	SL	20	10,483.00	-	10,483.00	-
26	METERS	12/1/2006	SL	20	16,781.00	-	16,781.00	-
28	METERS	5/17/2007	SL	20	8,376.00	418.80	5,653.80	2,722.20
29	METERS	12/31/2008	SL	20	5,912.92	295.65	4,109.49	1,803.43
30	METERS	2/26/2009	SL	20	3,400.00	170.00	2,040.00	1,360.00
31	METERS	12/14/2010	SL	20	4,206.34	210.32	2,313.49	1,892.85
32	METERS	12/14/2012	SL	20	42,864.74	2,143.24	19,289.13	23,575.61
33	METERS	6/1/2013	SL	20	32,606.42	1,630.32	13,042.57	19,563.85
34	METERS	6/1/2014	SL	20	24,135.03	1,206.75	8,447.26	15,687.77
35	METERS	6/1/2015	SL	20	19,027.00	951.35	5,708.10	13,318.90
36	METERS	6/1/2016	SL	20	57,081.00	2,854.05	14,270.25	42,810.75
37	METERS	2/9/2017	SL	20	19,027.00	951.35	3,805.40	15,221.60
38	METERS	12/1/2017	SL	20	19,028.00	951.40	3,805.60	15,222.40
39	METERS	7/26/2018	SL	20	19,500.00	975.00	2,925.00	16,575.00
40	METERS	10/11/2018	sl	20	19,500.00	975.00	2,925.00	16,575.00
41	METERS	1/11/2019	SL	20	19,500.00	975.00	1,950.00	17,550.00
42	METERS	5/9/2019	SL	20	22,905.00	1,145.25	2,290.50	20,614.50
43	METERS	10/24/2019	SL	20	44,846.00	2,242.30	4,484.60	40,361.40
44	METERS	1/31/2020	SL	20	11,023.00	551.15	551.15	10,471.85
45	METERS	4/1/2020	SL	20	22,571.00	1,128.55	1,128.55	21,442.45
46	METERS	12/3/2020	SL	20	11,023.00	551.15	551.15	10,471.85
TOTALS					764,131.26	23,423.32	450,359.04	269,155.22

GROUP 3 PIPE

4	STAND PIPE	1/1/1984	SL	20	31,525.00	-	31,525.00	-
5	TANK REPAIR	1/1/1993	SL	20	7,403.52	-	7,403.52	0.00
1	STAND PIPE	1/1/1964	SL	40	15,702.16	-	15,702.16	-
2	STAND PIPE	1/1/1977	SL	40	57,437.72	-	57,437.72	(0.00)
3	STAND PIPE	1/1/1981	SL	40	82,275.13	2,056.88	81,418.15	856.98
TOTALS					194,343.53	2,056.88	193,486.55	856.98

GROUP 4 LAND & EASEMENTS

Western Fleming Water District

Fixed Assets

12/31/2020

1	LAND RIGHT	1/1/1984	NDA		8,793.60		8,793.60
2	LAGOON IMPROVEMENT	1/1/1993	NDA		1,287.81		1,287.81
3	ROAD PLAN	1/1/1993	NDA		1,573.08		1,573.08
4	LAND RIGHT	1/1/1984	NDA		1,018.00		1,018.00
5	LAND IMPROVEMENT	11/19/1996	NDA		425.00		425.00
6	LAND IMPROVEMENT	12/4/1996	NDA		1,080.00		1,080.00
7	LAND IMPROVEMENT	12/16/1996	NDA		700.00		700.00
8	LAND BESIDE OFFICE	5/16/2007	NDA		22,500.00		22,500.00
9	LAND IMPROVEMENT	12/11/2007	NDA		3,100.00		3,100.00
10	LAND BESIDE OFFICE	10/13/2008	NDA		5,000.00		5,000.00
11	TRUE UP PYS	1/1/2008	NDA		46,918.51		46,918.51
TOTALS					92,396.00		92,396.00

GROUP 5 EQUIPMENT

2	POWER EQUIPMENT	1/1/1984	SL	5	225.62	-	225.62	-
24	LAWNMOWER	6/27/2008	SL	7	400.00	-	400.00	(0.00)
25	TRAILER ARNETTS	8/7/2008	SL	7	5,055.00	-	5,055.00	(0.00)
29	Security System	7/1/2011	SL	7	2,119.00	-	2,421.71	(302.71)
30	COMPUTER SYSTEM	1/1/2012	SL	7	7,821.92	-	7,821.92	-
31	FENCING	7/7/2012	SL	7	8,802.50	-	8,802.50	-
18	EQUIPMENT REPAIR	4/30/2004	SL	10	831.09	-	831.09	0.00
19	GENERATOR	6/16/2005	SL	10	7,756.00	-	8,143.80	(387.80)
21	PUMPS	5/18/2007	SL	10	9,608.00	-	10,088.40	(480.40)
20	2007 CHEVY TRUCK	6/6/2007	SL	10	24,811.00	-	26,051.55	(1,240.55)
22	FIRE HYDRANTS	8/22/2007	SL	10	4,456.00	-	4,678.80	(222.80)
23	TANK FOR PLANT	1/12/2008	SL	10	925.48	-	943.98	(18.50)
27	LOCATOR BOX	4/30/2009	SL	10	3,544.00	-	3,544.00	-
28	FIRE HYDRANTS	10/29/2010	SL	10	4,208.00		4,208.00	-
32	Fencing at water plant	6/1/2013	SL	10	5,197.50	519.75	4,158.00	1,039.50
33	Heat pump	6/1/2013	SL	10	1,800.00	180.00	1,440.00	360.00
34	PC water plant	6/1/2013	SL	10	21,950.00	2,195.00	17,560.00	4,390.00
36	Water Pump	3/2/2016	SL	10	35,789.89	3,578.99	17,894.95	17,894.95
35	Mixer Motor	4/18/2016	SL	10	7,420.61	742.06	3,710.31	3,710.31
38	Equipment	6/1/2016	SL	10	2,039.44	203.94	1,019.72	1,019.72
39	Equipment	6/1/2016	SL	10	29,960.65	2,996.07	14,980.33	14,980.33

Western Fleming Water District

Fixed Assets

12/31/2020

40	Equipment	6/1/2016	SL	10	3,862.56	386.26	1,931.28	1,931.28
41	New Panel	2/15/2017	SL	10	13,055.50	1,305.55	5,222.20	7,833.30
42	EQUIPMENT	3/1/2017	SL	10	2,205.48	220.55	882.19	1,323.29
43	main pump	9/20/2019	SL	10	44,435.88	4,443.59	8,887.18	35,548.70
44	Equipment	4/30/2020	SL	10	4,657.00	465.70	465.70	4,191.30
26	BACKHOE	8/26/2008	SL	15	32,431.00	2,162.07	29,980.66	2,450.34
3	PUMP REF	1/1/1992	SL	20	10,515.70	-	10,515.70	-
4	TREATMENT	1/1/1992	SL	20	1,649.17	-	1,649.17	0.00
5	ANALYZER	1/1/1992	SL	20	3,080.36	-	3,080.36	0.00
6	PUMP REBUILD	1/1/1993	SL	20	6,347.00	-	6,214.77	132.23
1	CHEMICAL MIXER	1/1/1994	SL	20	1,995.87	-	1,995.81	0.06
7	MAINS	1/1/1997	SL	20	5,160.59	-	5,160.60	(0.01)
8	PUMP REPAIR	1/1/1997	SL	20	5,963.88	-	5,963.93	(0.05)
9	MAINS	1/1/1998	SL	20	9,720.36	-	10,206.35	(485.99)
11	PUMP REPAIR	1/1/1998	SL	20	13,724.71	-	14,410.89	(686.18)
10	EQUIPMENT	9/30/1998	SL	20	25,000.00	-	25,312.50	(312.50)
12	EQUIPMENT	1/1/1999	SL	20	6,347.61	-	6,347.61	(0.00)
13	PUMP REPAIR	4/1/1999	SL	20	6,545.76	-	6,463.96	81.80
16	EQUIPMENT	1/1/2000	SL	20	17,592.41	-	17,592.41	0.00
14	CLEAN & PAINT TAN	4/27/2000	SL	20	7,800.00	130.00	7,800.00	-
15	PUMP REPAIR	6/5/2000	SL	20	100.00	2.08	100.00	-
17	NEW PUMP EQUIPMENT	7/19/2002	SL	20	11,439.13	571.96	10,533.56	905.57
	TOTAL				418,351.67	20,103.55	324,696.48	93,655.19

GROUP #6 BUILDING

1	PLANT	1/1/1981	SL	33	1,192,578.84	-	1,192,578.84	(0.00)
2	PLANT EXPANSION	6/16/2006	SL	33	2,327,842.44	70,540.68	1,024,126.27	1,303,716.17
3	OFFICE BUILDING	4/12/2018	SL	33	181,063.76	5,486.78	16,460.34	164,603.42
4	<u>AWNING ON OFFICE BUILDING</u>	4/4/2019	SL	33	4,253.77	128.90	257.80	3,995.97
5	Additon in Building	1/31/2020	SL	33	2,744.90	83.18	166.36	2,578.54
	TOTAL				3,708,483.71	76,239.54	2,233,589.61	1,474,894.10

GROUP #7 UTILITY PLANT-LAND

1	LAND	1/1/1991	NDA		2,000.00			2,000.00
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Western Fleming Water District

Fixed Assets

12/31/2020

2	LAND	1/1/1995	NDA		4,793.50		4,793.50
3	LAND FOR TOWER	7/11/2001	NDA		6,500.00		6,500.00
4	LAND	12/1/2011	NDA		60,020.00		
4	LAND	12/5/2018	NDA		1,837.63		1,837.63
TOTAL					75,151.13		15,131.13

GROUP #8 OFFICE

4	COPIER	10/7/1999	SL	5	500.00	-	500.00	-
7	SOFTWARE & CONVE	10/11/2000	SL	5	12,800.00	-	12,800.00	-
8	COMPUTER	10/11/2000	SL	5	2,114.27	-	2,114.27	-
9	LEXMARK PRINTER	10/11/2000	SL	5	1,099.00	-	1,099.00	-
11	COMPUTER	6/10/2004	SL	5	1,545.00	-	1,545.00	-
12	COPIER	8/26/2004	SL	5	1,300.00	-	1,300.00	-
13	PHONE SUPPORT	10/1/2004	SL	5	1,600.00	-	1,600.00	-
10	COMPUTER REPAIR	10/15/2004	SL	5	2,753.75	-	2,753.75	-
16	BUILDING IMPROVEMENT	11/30/2006	SL	5	1,324.00	-	1,324.00	-
19	PRINTER	10/29/2008	SL	5	595.00	-	595.00	-
24	PC AND MONITORS	3/2/2017	SL	5	7,935.65	1,587.13	6,348.52	1,587.13
1	COIN MACHINE	1/1/1994	SL	7	785.00	-	785.00	-
6	REFRIGERATOR	8/28/2000	SL	7	245.73	-	245.73	-
21	B&J CONSTRUCTION	1/1/2010	SL	7	533.15	-	533.15	-
22	COPIER	6/1/2014	SL	7	679.00	97.00	679.00	-
23	DEL DAY TANK SCREEN	6/1/2014	SL	7	8,985.50	1,283.64	8,985.50	-
25	PRINTER	6/9/2017	SL	7	630.16	90.02	360.09	270.07
26	OFFICE CHAIRS	3/30/2018	SL	7	5,585.00	797.86	2,393.57	3,191.43
27	NEW PC NETWORK	3/30/2018	SL	7	2,430.95	347.28	1,041.84	1,389.11
27	Office Equipment	9/28/2018	SL	7	2,850.00	407.14	1,221.43	1,628.57
28	NEW Acct Software	11/14/2019	SL	7	29,135.46	4,162.21	8,324.42	20,811.04
28	NEW PC	11/27/2020	SL	7	2,170.81	310.12	620.23	1,550.58
14	CONCRETE SLAB	8/24/2005	SL	15	1,786.78	79.40	1,786.78	0.00
3	STRUCTURE	1/1/1992	SL	20	1,732.00	-	1,732.00	-
17	OFFICE TARE DOWN	1/1/2008	SL	20	4,706.57	235.33	3,271.06	1,435.51
20	PY TRUE UPS	1/1/2008	SL	20	2,058.43	102.92	823.37	1,235.06
18	OFFICE IMPROVEMENT	9/10/2008	SL	20	781.92	39.10	543.44	238.48
2	OFFICE	1/1/1990	SL	33	43,407.86	1,315.39	41,036.31	2,371.55
5	REPAIR PLUMBING	4/20/2000	SL	33	617.00	18.70	386.43	230.57

Western Fleming Water District

Fixed Assets

12/31/2020

15	BUILDING IMPROVEMENT	11/9/2005	SL	33	4,423.41	134.04	2,032.97	2,390.44
TOTAL					147,111.40	11,007.27	108,781.84	38,329.56
GRAND TOTALS					11,656,141.92	244,568.80	5,824,070.73	5,727,434.19

Attachment #8

BOND RESOLUTION

WESTERN FLEMING COUNTY WATER DISTRICT

AUTHORIZING

WESTERN FLEMING COUNTY WATER DISTRICT WATERWORKS
REVENUE BONDS OF 1988

IN THE AMOUNT OF

\$341,000

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BOND RESOLUTION

RESOLUTION OF THE WESTERN FLEMING COUNTY WATER DISTRICT OF FLEMING COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$341,000 PRINCIPAL AMOUNT OF WESTERN FLEMING COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS OF 1988 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; PROVIDING FOR SAID BONDS TO RANK ON A PARITY WITH CERTAIN OUTSTANDING BONDS OF 1980, SUBJECT TO THE VESTED RIGHTS AND PRIORITIES IN FAVOR OF THE HOLDERS OF CERTAIN OUTSTANDING BONDS OF 1969; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Western Fleming County Water District (the "District") is owned and operated by said District pursuant to Chapters 74, 96 and 106 and Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, the District presently has outstanding certain Bonds of 1980 (as hereinafter defined), which Bonds of 1980 are payable from and secured by a second pledge of the revenues derived from the operation of and by a second statutory mortgage lien against the System, subject to the vested rights and priorities in favor of the holders of certain outstanding Bonds of 1969 (as hereinafter defined) and

WHEREAS, it is the desire and intent of the District at this time to adopt this Resolution pursuant to the Act, to authorize and provide for the issuance of revenue bonds in the principal amount of \$341,000 (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 Kennoy Engineers, Inc., now on file in the office of the Secretary of the District, and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued so as to rank on a parity basis with the Bonds of 1980, and

WHEREAS, the District desires and intends that the Current Bonds be issued as second lien bonds, subject to the vested rights and priorities in favor of the owners of the outstanding Bonds of 1969, and

WHEREAS, the Bonds of 1980 were issued to and are now held by the Farmers Home Administration of the Department of Agriculture of the United States of America (the "FmHA"), and

WHEREAS, the FmHA, as the Owner of the Bonds of 1980, has consented to the issuance by the District of the Current Bonds, and

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

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$364,000, and by water connection charges in the amount of at least \$35,000, to provide the total cost of such construction, and

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

ARTICLE 1

DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.

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

"ACT" refers to Chapters 74, 96 and 106 and Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes.

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

"BEGINNING MONTH" means 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" mean and contemplate the registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"BONDS" refers to the outstanding Prior Bonds and the Current Bonds.

"BONDS OF 1969" or "PRIOR FIRST LIEN BONDS" refers to the original authorized issue of \$445,000 of bonds designated as "Western Fleming County Water District Waterworks System Refunding Revenue Bonds", dated January 1, 1969, of which there are presently outstanding \$360,000 of Bonds, scheduled to mature on January 1 in each of the years, 1989 through 2008, inclusive.

"BONDS OF 1980" or "PRIOR SECOND LIEN BONDS" refers to the original authorized issue of \$560,000 of bonds designated as "Western Fleming County Water District Waterworks Revenue Bonds of 1980", dated December 30, 1980, of which there are presently outstanding \$525,000 of Bonds, scheduled to mature on January 1 in each of the years, 1989 through 2020, inclusive.

"BOND ORDINANCE OF 1969" or "1969 BOND ORDINANCE" refers to the Ordinance authorizing the Bonds of 1969, duly adopted by the Board of Commissioners of the District on June 12, 1969.

"BOND RESERVE ACCOUNT" refers to the Bond Reserve Account created in Section 5(C) of the 1969 Bond Ordinance and described in Section 402(D) of this Resolution.

"BOND RESOLUTION OF 1980" or "1980 BOND RESOLUTION" refers to the Resolution authorizing the Bonds of 1980, duly adopted by the Board of Commissioners of the District on April 29, 1980.

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

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

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

"CONSTRUCTION ACCOUNT" refers to the Western Fleming County Water District Waterworks Revenue Bond Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

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

"CURRENT BONDS" refers to the \$341,000 of Western Fleming County Water District Waterworks Revenue Bonds of 1988

authorized by this Resolution, to be dated as of the date of issuance thereof.

"DEPOSITORY BANK" means the bank, which shall be a member of the FDIC, at which the principal of and interest on the Prior Bonds are payable and which has served and shall continue to serve as the depository of all of the Funds created in the Prior Bond Resolution and this Current Bond Resolution, which bank is Farmers-Deposit Bank, Ewing Branch, Ewing, Kentucky, or its successor.

"DEPRECIATION FUND" refers to the Depreciation Fund, created in Section 5(D) of the 1969 Bond Ordinance.

"DEPRECIATION RESERVE FUND" refers to the Western Fleming County Water District Waterworks Depreciation Reserve Fund created in Section 402(H) of this Resolution.

"DISTRICT" refers to the Western Fleming County Water District of Fleming County, Kentucky.

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

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

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

"FIRST LIEN BOND AND (A) COUPON SINKING FUND" refers to the Waterworks System Refunding Revenue Bonds and (A) Coupon Interest Sinking Fund created in Section 5(A) of the 1969 Bond Ordinance and described in Section 402(B) of this Resolution.

"FIRST LIEN (B) COUPON SINKING FUND" refers to the Waterworks System Refunding Revenue Bond (B) Coupon Interest Sinking Fund created in Section 5(E) of the 1969 Bond Ordinance and described in Section 402(F) of this Resolution.

"FIRST LIEN RESERVE FUND" refers to the Bond Reserve Account created in Section 5(C) of the 1969 Bond Resolution.

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

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

"FmHA GRANT" refers to the FmHA grant described in Section 804 of this Resolution.

"FUNDS" refers to the Revenue Fund, the First Lien Bond and (A) Coupon Sinking Fund, the First Lien (B) Coupon Sinking Fund, the Second Lien Sinking Fund, the Depreciation Fund, the Depreciation Reserve Fund, the First Lien Reserve Fund, the Second Lien Reserve Fund and the Operation and Maintenance Fund.

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

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

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

"INTERIM LENDER" means the Farmers-Deposit Bank, Ewing, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"LOCAL COUNSEL" refers to Suit, McCartney & Price, Flemingsburg, Kentucky, or any other attorney or firm of attorneys designated by the District.

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

"NOTE" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender,

including any revenue bond anticipation notes issued pursuant to Section 58.150 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Construction Project as prescribed in Section 302 of this Resolution.

"OPERATION AND MAINTENANCE FUND" refers to the Operation and Maintenance Fund created in Section 5(B) of the 1969 Bond Ordinance and described in Section 402(C) of this Resolution.

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

"PARITY BONDS" means bonds which may be issued in the future, in addition to the Prior Second Lien Bonds and the Current Bonds, which Parity Bonds issued in the future will, pursuant to the provisions of the 1980 Bond Resolution and of this Current Bond Resolution, rank on a basis of parity with said outstanding Prior Second Lien Bonds and Current Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Prior Second Lien Bonds and Current Bonds.

"PRIOR BOND RESOLUTION" refers collectively to the 1969 Bond Ordinance and the 1980 Bond Resolution.

"PRIOR FIRST LIEN BONDS" refers to the Bonds of 1969.

"PRIOR SECOND LIEN BONDS" refers to the Bonds of 1980.

"PURCHASER" means 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, and such definition shall refer to the FmHA if it is the Purchaser of the Current Bonds at said public sale.

"REQUIRED SIGNATURES" refers to the signatures necessary to be obtained with reference to the approval of the

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

"REVENUE FUND" refers to the Revenue Fund, created in Section 5 of the 1969 Bond Ordinance.

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

"SECOND LIEN RESERVE FUND" refers to the Current Reserve Fund, created in Section 401(F) of the 1980 Bond Resolution, which Fund is a part of the Second Lien Sinking Fund.

"SECOND LIEN SINKING FUND" refers to the Western Fleming County Water District Waterworks Revenue Bond and Interest Sinking Fund of 1980, created in Section 401(B) of the 1980 Bond Resolution.

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

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

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

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

Section 102. Purpose; Construction Project. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Construction 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 of the Prior Bonds, the Current Bonds or any additional Parity 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 Construction Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Construction Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness.

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

Section 105. Authorization of Bonds.

The District has heretofore determined that the total cost of the Construction Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$740,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Construction Project that the District issue a total of \$341,000 of Current Bonds, based on the following calculation:

Total cost of Construction Project		\$740,000
Less:		
FmHA Grant	\$164,000	
ARC Grant	200,000	
Connection Charges	<u>35,000</u>	
Total Non-Bond Funds:		<u>(399,000)</u>
Balance to be financed by Current Bonds		\$341,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Construction Project, under the provisions of the Act, there is hereby authorized to be issued

attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth year from the date of the Current Bonds, and once every five years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with the Depository Bank. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government 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 Ten Days From Adoption. This Resolution shall take effect and be effective ten days after its adoption in order to enable notice of the adoption hereof to be published pursuant to Section 106.250 of the Kentucky Revised Statutes.

Adopted this July 15, 1988.

Clyde Thomas
Chairman

(Seal of District)

Attest:

Billy S Cowan
Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Fleming County Water District of Fleming County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on July 15, 1988, 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 July 15, 1988.

Billy S Cowan
Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Maturities

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Installments</u>
1991	\$ 3,000
1992	3,000
1993	3,000
1994	4,000
1995	4,000
1996	4,000
1997	4,000
1998	4,000
1999	5,000
2000	5,000
2001	5,000
2002	5,000
2003	6,000
2004	6,000
2005	6,000
2006	7,000
2007	7,000
2008	7,000
2009	8,000
2010	8,000
2011	9,000
2012	9,000
2013	9,000
2014	10,000
2015	10,000
2016	11,000
2017	11,000
2018	12,000
2019	13,000
2020	13,000
2021	14,000
2022	14,000
2023	15,000
2024	16,000
2025	17,000
2026	17,000
2027	18,000
2028	19,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF FLEMING
WESTERN FLEMING COUNTY WATER DISTRICT WATERWORKS
REVENUE BONDS OF 1988

No. R- _____ INTEREST RATE: _____ % \$341,000

KNOW ALL MEN BY THESE PRESENTS:

That the Western Fleming County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Fleming, 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

THREE HUNDRED FORTY-ONE THOUSAND DOLLARS (\$341,000),

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

Year Principal Year Principal Year Principal

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

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

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 74,96 and 106 and Sections 58.010 and 58.140, inclusive, of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond

Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding Western Fleming County Water District Waterworks System Refunding Revenue Bonds, dated January 1, 1969 (the "Prior First Lien Bonds"), authorized by a Ordinance adopted by the Commission of the District on June 12, 1969 (the "1969 Bond Ordinance"). Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured on a second lien basis by a pledge of the net revenues to be derived from the operation of the System, after providing for the requirements of the Prior First Lien Bonds and the requirements of the 1969 Bond Ordinance, and the requirements for the current costs of operation and maintenance of the System.

This Bond ranks on a parity as to security and source of payment with certain outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1980, dated December 30, 1980 (the "Prior Second Lien Bonds"), authorized by a Resolution adopted by the Commission of the District on April 29, 1980 (the "1980 Bond Resolution"), subject to the priority of the Prior First Lien Bonds.

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

This Bond has been issued in full compliance with the 1980 Bond Resolution; and this Bond, together with said Prior

Second Lien Bonds, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and 1980 Bond Resolution, are and will continue to be payable from and secured by a pledge of the gross revenues to be derived from the operation of said System, which revenues shall be sufficient to pay the principal of and interest on the Prior Second Lien Bonds, this Bond and any additional bonds ranking on a parity therewith, as may be issued and outstanding under the conditions and restrictions set out in said Current Bond Resolution and the 1980 Bond Resolution, as and when the same become due and payable.

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

A second statutory mortgage lien has been created and granted by the District in the Current Bond Resolution pursuant to the Act, and more specifically by Section 96.400 of the Kentucky Revised Statutes, to and in favor of the registered owner of this Bond, ranking on a parity with the Prior Second Lien Bonds; and the System and all appurtenances thereof and extensions thereto shall remain subject to such statutory mortgage lien until payment in full of the principal of and interest on the Prior Second Lien Bonds and on this Bond.

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 1998, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Thousand Dollars (\$1,000), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

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

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

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this 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 Western Fleming County Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

WESTERN FLEMING COUNTY WATER
DISTRICT
Fleming County, Kentucky

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

(FORM OF REGISTRATION)

Date of Registration	Name of Registered Owner	Signature of Secretary of the Western Fleming County Water District, Bond Registrar
:	:	:
:	:	:
:	:	:
:	:	:
:	:	:

(FORM OF ASSIGNMENT)

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Western Fleming County Water District Waterworks
Revenue Bonds of 1988 in the amount of \$341,000.

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 Western Fleming County Water District (the "District") of Fleming County, Kentucky.

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

Firm/Person

Amount

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the 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 "Western Fleming County Water District Waterworks Revenue Bond Construction Account", at the Farmers-Deposit Bank, Ewing Branch, Ewing, Kentucky.

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

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 80% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Prior Bonds and Current Bonds without similarly affecting the rights of all Owners of such Prior Bonds, Current Bonds and any Parity Bonds then outstanding, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the FmHA so long as the FmHA owns any of the Outstanding Bonds.

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

Section 803. District Obligated to Refund Current Bonds 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 FmHA Grant

Agreement. As set out in Section 105 hereof, the FmHA has agreed to make a grant to the District in the amount of \$164,000 (the "FmHA Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Construction Project, and the FmHA has requested the District to approve, accept and execute FmHA Form 1942-31 (the "FmHA Grant Agreement"), setting out the terms and conditions upon which said FmHA Grant will be made. Said FmHA Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said FmHA 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 FmHA Grants offered to the District in connection with the Construction Project and to execute any and all FmHA Grant Agreements and any other documents as may be requested by the FmHA in connection with FmHA Grants which have been and/or which may hereafter be approved for such Construction Project.

Section 805. Approval and Acceptance of ARC Grant

Agreement. As set out in Section 105 hereof, the Appalachian Regional Commission (the "ARC") has agreed to make a grant to the District in the amount of \$200,000 (the "ARC Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Construction Project, and the ARC has requested the District to approve, accept and execute a certain ARC Grant Agreement (the "ARC Grant Agreement"), setting out the terms and conditions upon which said ARC Grant will be made. Said ARC Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said ARC Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other ARC Grants offered to the District in connection with the Construction Project and to execute any and all ARC Grant Agreements and any other documents as may be requested by the ARC in connection with ARC Grants which have been and/or which may hereafter be approved for such Construction Project.

Section 806. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The

Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of FmHA Letter of Conditions (FmHA Form 442-46).
- (d) Loan Resolution (FmHA Form 442-47).
- (e) Agreement for Engineering Services with the Engineers.

Section 807. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Construction Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Construction Project shall not be obtained through negotiation within 10 days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved, and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Construction Project and whenever the necessary deed is not obtained by negotiation at least 10 days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor (proceeds of Current Bonds, Grant Proceeds and other funds) allocated to the costs of the Construction 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 FmHA; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the Bonds, Grant Proceeds and other supplemental funds, shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is

unable to obtain the approval of the FmHA for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

ARTICLE 9

SALE OF CURRENT BONDS

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

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and a suggested form of Statement of Essential Facts having been prepared in advance by the Engineers, and all of such documents having been found to be in satisfactory form, the same are hereby approved, and a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the 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. Possible Adjustment in Date of Current Bonds, Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason until after January 1, 1989, the name of the Current Bonds may, pursuant to Resolution adopted by the Commission with the written consent of the Purchaser of the Current Bonds, be changed to reflect the year in which the Current Bonds will be issued, with maturities, the applicable prepayment date and all other dates being adjusted accordingly, if so desired.

ARTICLE 10

CONCLUDING PROVISIONS

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

In order to assure the Purchaser and any subsequent owner 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

All payments into the above special 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 moneys held in any of the above special 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 direct obligations of U.S. Obligations, having a market value equivalent to such deposit.

On or before the 20th days of June and/or December in each year, the Depository Bank shall transfer from the Second Lien Sinking Fund, the Second Lien Reserve Fund and the Depreciation Reserve Fund (if necessary) a sum equal to the interest, or a sum equal to the principal and interest, as the case may be, becoming due on the next following respective January 1 and/or July 1, and deposit the same in an account created in Section 401(F) of the 1980 Bond Resolution and identified as the "Western Fleming County Water District Waterworks Revenue Bond Payment Account", and shall notify the alternate payor, if any, that the same is held as a trust fund to be drawn upon by the paying agents to pay maturing interest installments and/or principal installments, as the case may be, upon presentation thereof on or after maturity and upon surrender of maturing Prior Second Lien Bonds and Current Bonds.

The Depository Bank and the Treasurer of the District shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds. Provided, however, that so long as the only Bonds outstanding are fully registered bonds, the functions contemplated by this paragraph shall be performed by the Treasurer.

I. Monthly Principal and Interest Payments if Requested by the FmHA, or Other Owner of All Outstanding Bonds.
So long as any of the Prior Bonds and Current Bonds are held or insured by the FmHA, the District shall, if requested by the FmHA, make the payments required by the preceding Section 402(B) and (G), in monthly installments to the FmHA or to the insured Owners of the Prior Bonds and Current Bonds; provided further that at the option of any other Owner of all of the Prior Bonds and Current Bonds, such payments shall similarly be made in monthly payments to such Owner.

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 and just, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating the 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 current expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. If and to the extent not now fully required by the Prior Bond Resolution, the District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Owners of any of the Prior Bonds or the Current Bonds, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than sixty days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the FmHA without request, so long as the Government is the Owner of any of the Current Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the FmHA and to any Bondowner requesting same, during the first two years of operation after completion of the Construction 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 FmHA 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 Prior Bonds, the Current Bonds, and any Parity 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 days after the end of each Fiscal Year, beginning immediately after the issuance of the Current Bonds, the District agrees to cause to be prepared a detailed statement of income and expenditures for the Fiscal Year, a current financial statement and a proposed annual budget of current 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 FmHA without request if the Government is the Owner of any of the Current Bonds.

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

Not later than sixty days after 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 current expenses, the District shall revise the rates and charges sufficiently to provide the funds 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 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 days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of July, the annual budget for the then current 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 Current Bonds that:

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;
- (4) Unless the written consent of the Owners of a majority 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;
- (5) It will maintain in good condition and continuously operate said 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 cost and expense of operating and maintaining the System, (ii) to pay the interest on and principal of the Outstanding Bonds

and (iii) to provide for an adequate depreciation account;

- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures); 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 FmHA Owns Any Bonds. So long as the FmHA shall own any of the Current Bonds, the District shall comply with such FmHA regulations, requirements and requests as shall be made by the FmHA, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the FmHA, the carrying of insurance of such types and in such amounts as the FmHA may specify, with insurance carriers acceptable to the FmHA and compliance with all of the terms and conditions of the Loan Resolution (FmHA Form 442-47) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. If and to the extent not now fully required by the Prior Bond Resolution, the District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Construction Project from the Contractors, insure all electric motors, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the FmHA, so long as the FmHA is the Owner of any of the Current Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the FmHA if and

whenever the District has Outstanding Bonds against the System
and none of such Outstanding Bonds are owned by the FmHA.

ARTICLE 6

INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as provided below in this Article, the District shall not, so long as any of the Prior Bonds, Current Bonds and/or Parity Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues and statutory mortgage lien to secure such additional bonds are made inferior and subordinate in all respects to the security of the Prior Bonds, the Current Bonds and any Parity 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 FmHA must be obtained prior to the issuance of any inferior bonds so long as the FmHA owns any of the Prior Second Lien Bonds, the Current Bonds or any Parity Bonds, and provided further that, after the initial completion of the Construction Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Prior Bonds, the Current Bonds and any Parity Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding of the Prior Bonds, the Current Bonds and any other Parity Bonds.

Section 602. Parity Bonds to Complete the Construction Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Construction Project 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 Construction Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

- (a) the consent of the FmHA as the Owner of the Prior Second Lien Bonds at that time or the consent of any other Owners of the Prior Bonds, and
- (b) the consent of (1) the FmHA 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. In the 1980 Bond Resolution, 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 1980 Bond Resolution, which conditions are hereinafter repeated, taking into account the issuance of the Current Bonds, as follows:

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

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

(c) The annual net revenues (defined as gross revenues less operation and maintenance expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Bonds are to be issued, adjusted as hereinafter provided, shall 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, including such requirements of the Prior Bonds, the Current Bonds, any Parity Bonds then outstanding plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional 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 schedule of rates or charges being imposed at the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and 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 FmHA for the issuance of such Parity Bonds, if the FmHA is the Owner of any of the Prior Bonds or any of the Current Bonds at the time of issuance of such Parity Bonds; (2) the written consent of the Owners of all of the then outstanding Prior Bonds and (3) the written consent of the Owners of 75% of the principal amount of the then outstanding Current Bonds and any other Parity Bonds; provided, however, that if the District obtains the written consent of the Owners of all Current Bonds and of all Parity Bonds outstanding against the System, no other prerequisite need be complied with by the District in order to issue Parity Bonds.

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

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

(b) Adjust the minimum annual amount to be deposited monthly into the Depreciation Reserve Fund on the same basis as that prescribed in the provisions

establishing such Depreciation Reserve Fund, taking into account the future debt service requirements of all second lien bonds which will then be outstanding against the System; and

(c) Make such 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 FmHA.

Section 606. District Not to Issue Any Additional Bonds Ranking on a Parity With Prior First Lien Bonds or Ranking Superior to Current Bonds. So long as the FmHA shall hold any of the Current Bonds, and so long as any of the Current Bonds are outstanding, the District covenants not to issue any bonds ranking on a parity with the outstanding Prior First Lien Bonds, or to issue any other bonds ranking superior in security to the security of the Current Bonds.

Section 607. Consent of the FmHA 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 FmHA.

Section 608. 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 Current 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 Prior Bonds or Current 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 of the Prior Bonds and/or Current 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 FmHA.

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 Current Bonds or the Prior Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Current Bonds or the Prior Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the FmHA, within 30 days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Current Bonds, the Prior Bonds, 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 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 Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Prior Bonds and the Current Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

The District hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the District's obligations, all contracts,

including specifically the Water Purchase Contract, 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 Prior Bonds or the Current 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.

and sold \$341,000 principal amount of Western Fleming County Water District Waterworks Revenue Bonds of 1988.

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 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 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 First Lien Bonds, a certain statutory mortgage lien and pledge and certain security rights relating to the System, all as set forth in the Prior First Lien Bonds and in the 1969 Bond Ordinance.

Section 107. Current Bonds Shall be Payable on Second Lien Basis Out of Gross Revenues. All of the Prior Second Lien Bonds and the Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely on a second lien basis out of the gross revenues of the System, after providing only for the principal and interest requirements of the Prior First Lien Bonds, and shall be a valid claim of the Owners thereof against the Second Lien Sinking Fund created for the benefit of such owners, subject to the priority of the Prior First Lien Bonds.

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

ARTICLE 2

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

Section 201. Principal Installments. Principal installments 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 in installments as set out above. 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 being signed manually by the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said 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, installments of principal falling due prior to January 1, 1999, shall not be subject to prepayment. Installments of principal falling due on and after January 1, 1999, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 1998, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or installments in a multiple of \$1,000, may be prepaid at any time in inverse chronological order of the installments due, at par plus accrued interest without any prepayment penalty.

ARTICLE 3

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

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

The Treasurer of the District, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System, and such funds shall be deposited in the Depository Bank. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of funds of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$300,000 (the "Fidelity Bond"), or such larger amount as the FmHA may require, which Fidelity Bond shall be effective and secured by a surety company approved by the FmHA so long as it is owner of any of the Bonds; the FmHA and the District shall be named co-obligees in such Fidelity Bond; and the amount thereof shall not be reduced without the written consent of the FmHA; provided that whenever sums in the various accounts referred to herein (other than the Construction Account) shall exceed \$300,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the FmHA.

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

A. Covenants Applicable if FmHA Purchases Bonds. It is acknowledged that all covenants herein with reference to the necessity for approval of the FmHA, the necessity of observing FmHA procedure and the necessity of using FmHA forms (the "FmHA Forms"), shall apply only if the FmHA is the Purchaser of the Current Bonds and only so long as the FmHA holds the Bonds thereafter. In the event that the FmHA shall not be the Purchaser of the 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 FmHA, the necessity of observing FmHA

procedure, and the necessity of using FmHA 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 Construction Project, and Costs of Issuance of Bonds.** Simultaneously with the delivery of the Bonds (to the extent of part or all of the proceeds of the Bonds), there shall immediately be paid to the Interim Lender (or the FmHA 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 Construction Project and in connection with the issuance of the Current Bonds.

(2) **Construction Account; Grant Proceeds and District Contribution.** 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 "Western Fleming County Water District Waterworks Revenue Bond Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$35,000 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Bonds and Grant Proceeds in order to assure completion of the Construction Project.

(3) **Withdrawal of Funds From Construction Account.** Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the FmHA as to such expenditures, if the FmHA is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such Treasurer or such other official shall be covered

by the Construction Account Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Construction 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 FmHA official.

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

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

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

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

(4) Transfer of Capitalized Interest to Second Lien Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$25,000) during the construction of the Construction Project, as approved by the Engineers and by the FmHA.

If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Construction Project, such amount so transferred from the Construction Account shall be deposited in the Second Lien 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 Construction Project (as determined by the Engineers, the Chairman and the representative of the FmHA), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate FmHA Form 402-4 Agreement is executed, if the FmHA has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

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

(7) Disposition of Balance in Construction Account After Completion of Construction Project. When the Construction Project has been completed and all construction costs have been paid in full, as certified

by the Engineers for the District and/or by the FmHA, any balance then remaining in the Construction Account may, with the consent of the State Director of the FmHA, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Construction 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 Second Lien Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Second Lien 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 \$1,000 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Reserve Fund.

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$341,000 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 Construction 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 \$341,000. 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 FmHA.

The total authorized interim financing of \$341,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the 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 Construction 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 Construction 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.

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

If the FmHA 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 FmHA to the District, shall be in the form prescribed by the FmHA.

Each request for an advance from the FmHA shall be accompanied by a Requisition Certificate. The District will also furnish to the FmHA, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the FmHA, 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 Construction Project or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301B(3) 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 gross revenues of the System to the repayment of said Multiple Advances, subject to the priority of the pledges securing the Prior Bonds.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, as follows:

(a) The District certifies, 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 Purchaser and/or 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.

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

- (1) that the District has entered into a contract with the Engineers for engineering services in connection with the Construction Project financed by the Current Bonds and the fees to be paid to such Engineers will exceed 2-1/2% of the total cost of the Construction Project;
- (2) that work on the Construction Project has commenced or will commence within six months from the date of issuance of the Current Bonds or from the date of the first interim financing loan made under this Resolution, whichever occurs first;
- (3) that the construction of said Construction Project will proceed thereafter to completion with due diligence on the part of the District;
- (4) that all of the proceeds of the Current Bonds, with the possible exception of five percent (5%) of the proceeds of the Bonds, will be expended on the costs of the Construction Project within less than three years from the date of issuance of the Current Bonds;
- (5) that it is anticipated that amounts on deposit in the Second Lien Sinking Fund will be used within thirteen (13) months from the date of deposit for the payment of debt service on the Outstanding Bonds, and that, except for an amount equal to not more than the greater of (i) one-twelfth (1/12) of debt service requirements of the Outstanding Bonds for the then ensuing year or (ii) one year's earnings on the Second Lien Sinking Fund, such Second Lien Sinking Fund will be depleted through such application for current debt service requirements of the Outstanding Bonds;

- (6) that it is not anticipated that amounts will be accumulated in any reserve fund anticipated to be used for debt service on the Outstanding Bonds in excess of an amount reasonably required to sell the Current Bonds; provided, however, in no event shall such amount exceed the lesser of (i) the maximum annual debt service on all Outstanding Bonds, (ii) 1.25 times the average annual debt service for principal and interest on all Outstanding Bonds, or (iii) more than 10% of the face amount (par) of the Current Bonds, plus 10% of the face amount of all Prior Bonds (15% as to any Prior Bonds issued prior to August 16, 1986);
- (7) that it is not reasonably anticipated that amounts accumulated in the Depreciation Reserve Fund will be used for payment of the debt service on any Outstanding Bonds, even though such Depreciation Reserve Fund will be available if necessary to prevent a default in the payment of principal and interest on the Prior Second Lien Bonds and the Current Bonds; and
- (8) that the District has not been advised of any listing or contemplated listing by the Internal Revenue Service determining that the foregoing type of certification with respect to the District's obligations may not be relied on.

(c) The District covenants that neither the proceeds of the Bonds, nor Non-Exempt Revenues (hereinafter defined) of the District will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Current Bonds, if such investment would cause the Current Bonds to be treated as "arbitrage bonds"; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever such Code permits same to be invested without causing the Current Bonds to be treated as "arbitrage bonds".

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

"Exempt Revenues" shall consist of the following:

- (1) amounts deposited in the Second Lien Sinking Fund for the purpose of paying debt service on any Outstanding Bonds within 13 months from the date of deposit;
- (2) amounts deposited in any reserve earmarked for or anticipated to be used for debt service on Outstanding Bonds, to the extent that such deposits do not cause the total amount of such reserves, deposits and other excess Non-Exempt Revenues, to exceed the limitations referred to in Section 303(b)(6) above, for which adequate provision will have been made to comply with such limitations;
- (3) amounts deposited in the Depreciation Reserve Fund, Operation and Maintenance Fund, or any other fund (however designated) reasonably expected to be used for extensions, additions, improvements, repairs or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose) of Outstanding Bonds; and
- (4) an amount of the original proceeds of the Current Bonds if such amount does not exceed the lesser of five percent (5%) of the proceeds of the Current Bonds or \$100,000.

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

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 the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code 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

CURRENT BONDS ON A PARITY WITH PRIOR SECOND LIEN BONDS; FLOW OF FUNDS.

Section 401. Current Bonds on a Parity with Prior Second Lien Bonds. It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the Secretary of the District (a) a letter from the FmHA to the effect that the FmHA agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Prior Second Lien Bonds, all of which are owned by the FmHA, together with (b) a certification signed by the FmHA to the effect that a legend has been typed, stamped or otherwise affixed on each of the Prior Second Lien Bonds held by the FmHA, evidencing the agreement of the FmHA as the then Owner of the Prior Second Lien Bonds, to the issuance of the Current Bonds so as to rank on a parity with the Prior Second Lien Bonds, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$341,000 of Western Fleming County Water District Waterworks Revenue Bonds of 1988 ranking on a parity as to security and source of payment with this Bond.

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

Section 402. Provisions of Prior Bond Resolution Incorporated Herein; Adjustments in Required Deposits. All proceedings preliminary to and in connection with the issuance of said outstanding Prior Bonds of the District, including provisions made for (i) the receipt, custody and application of the proceeds of said Prior 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 said Prior 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 (subject to the priority of the Prior First Lien Bonds), the same as if such provisions and proceedings were set out in full herein; provided, further, that the amount of the revenues of the System, shall be collected, segregated, accounted for and distributed as hereinafter specified.

A. Revenue Fund. A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was heretofore created by the 1969 Bond Ordinance, which fund has been and is designated and identified as the Revenue Fund, in the custody of the Treasurer, which Fund has been deposited with and shall continue to be maintained and deposited with the Depository Bank, so long as any of the Prior Bonds, the Current Bonds or any Parity Bonds are outstanding. The District covenants and agrees that it will continue to deposit therein, 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 from time to time 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. First Lien Bond and (A) Coupon Sinking Fund. A separate and special fund of the District designated "Waterworks System Refunding Revenue Bonds and (A) Coupon Interest Sinking Fund" (the "First Lien Bond and (A) Coupon Sinking Fund") was created by the 1969 Bond Ordinance, and the same shall continue to be maintained as provided in the 1969 Bond Ordinance; and the District covenants and agrees that it will continue to deposit therein from the Revenue Fund whatever amounts are required by the terms of the 1969 Bond Ordinance to be so deposited; and such sums shall be held and applied by the District in the manner required by the Prior Bond Resolution and by this Current Bond Resolution.

The First Lien Bond and (A) Coupon Sinking Fund shall continue to be maintained at the Depository Bank so long as any of the Prior First Lien Bonds are outstanding.

C. Operation and Maintenance Fund. A separate and special fund or account of the District was created in Section 5B of the 1969 Bond Ordinance, which Fund was designated as the "Operation and Maintenance Fund." Said Operation and Maintenance Fund shall be maintained so long as any of the Prior Bonds, the Current Bonds, and any additional parity bonds are outstanding; and the District shall continue to transfer in each month and deposit into said Operation and Maintenance Fund from the funds remaining in the Revenue Fund after the transfers required in Subsection B hereof are made in each month, sums sufficient to meet the current expenses of operation and maintenance of the System, as required by the 1969 Bond Ordinance.

D. First Lien Bond Reserve Account. A separate and special account of the District designated Bond Reserve Account (the "Bond Reserve Account") was created by the 1969 Bond Ordinance, and the same shall continue to be maintained as provided in the 1969 Bond Ordinance; and the District covenants and agrees that it will continue to deposit therein from the

Revenue Fund whatever amounts are required by the terms of the 1969 Bond Ordinance to be so deposited; and such sums shall be held and applied by the District in the manner required by the Prior Bond Resolution and by this Current Bond Resolution.

The Bond Reserve Account shall continue to be maintained at the Depository Bank so long as any of the Prior First Lien Bonds are outstanding.

E. Depreciation Fund. A separate and special fund of the District was created in Section 5(D) of the 1969 Bond Ordinance, which fund was designated "Depreciation Fund", which Fund is hereby ratified, confirmed, and ordered to be continued so long as any of the Prior Bonds, the Current Bonds, and any Parity Bonds are outstanding. The 1969 Bond Ordinance required that the sum of \$50.00 per month be deposited in such Fund until a balance of \$2,400 had been accumulated, at which time said monthly deposits could be discontinued, but same must be resumed if said balance falls below \$2,400. Moneys in the Depreciation Fund may be expended in making good any depreciation in the System and in making any additions and/or improvements to the System, or to eliminate a deficiency in the First Lien Bond and (A) Coupon Sinking Fund and to avoid a default. It is hereby ordered that all such Depreciation Fund provisions shall continue in effect without reduction so long as any of the Prior Bonds and Current Bonds are outstanding.

F. First Lien (B) Coupon Sinking Fund. A separate and special fund of the District designated "Waterworks System Refunding Revenue Bond (B) Coupon Interest Sinking Fund" (the "First Lien (B) Coupon Sinking Fund") was created by the 1969 Bond Ordinance, and the same shall continue to be maintained as provided in the 1969 Bond Ordinance; and the District covenants and agrees that it will continue to deposit therein from the Revenue Fund, after the deposits required in Subsections B, C, D and E have been made, whatever amounts are required by the terms of the Prior Bond Resolution to be so deposited; and such sums shall be held and applied by the District in the manner required by the Prior Bond Resolution and by this Current Bond Resolution.

The First Lien (B) Coupon Sinking Fund shall continue to be maintained at the Depository Bank so long as any of the Prior First Lien Bonds are outstanding.

G. Second Lien Sinking Fund and Adjustments Thereto. A separate and special fund of the District was created by the 1980 Bond Resolution, designated as the "Western Fleming County Water District Waterworks Bond and Interest Sinking Fund of 1980" (the "Second Lien Sinking Fund"), which shall continue to be maintained (including the Current Reserve Fund constituting a part of said Second Lien Sinking Fund, hereinafter referred to as the "Second Lien Reserve Fund") so long as any of the Prior Second Lien Bonds, the Current Bonds, and any Parity Bonds are outstanding, in the Depository Bank, and all moneys deposited

therein from time to time shall be used, disbursed, and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on all of said Prior Second Lien Bonds, Current Bonds, and any additional Parity Bonds.

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Second Lien Sinking Fund an amount sufficient to provide for capitalized interest (initially estimated at \$25,000) on the Current Bonds during the construction of the Construction 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 Construction Project.

Until the expiration of the month in which interest on the Current Bonds is last payable out of the sum set aside into the Second Lien Sinking Fund as capitalized interest, there shall continue to be transferred in each month from the Revenue Fund and deposited into the Second Lien Sinking Fund amounts sufficient to meet the debt service requirements on the Prior Second Lien Bonds as same become due, in accordance with Section 401(F) of the 1980 Bond Resolution.

After the expiration of the month in which interest on the Current Bonds is last payable out of the sum set aside into the Second Lien Sinking Fund as capitalized interest, the deposits required by the preceding paragraph shall be superseded, and thenceforth and thereafter, there shall be transferred in each month from the Revenue Fund and deposited into the Second Lien Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of all of the Prior Second Lien Bonds and the Current Bonds, a sum equal to the total of the following:

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

It was also provided in the 1980 Bond Resolution that after all of the transfers required to be made in Subsections A, B, C and D have been made, there shall next be transferred from the Revenue Fund to the Second Lien Sinking Fund, to be held as a reserve therein the sum of \$300 each month until there is accumulated in such Second Lien Reserve Fund the sum of \$36,000, after which no further deposits need be made into such Fund except to replace withdrawals.

It is required by Section 604(b) of the 1980 Bond Resolution, that in the event of the issuance of bonds ranking on a parity with the Prior Second Lien Bonds, the District shall adjust the minimum annual amount to be deposited monthly into the Second Lien Reserve Fund on the same basis as that prescribed in the provisions establishing such Fund, taking into account the future debt service requirements of all second lien bonds which will then be outstanding against the System. However, such Section is herewith amended by providing that after observing the priority of deposits set forth in Subsections A, B, C and D above, there shall be set apart and paid into the Depreciation Reserve Fund such amounts as set forth in Section 402(I) of this Resolution.

If the District for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Second Lien Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Second Lien Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Prior Second Lien Bonds and the Current Bonds, as same fall due, such excess may be used for redemption or prepayment of any of such Prior Second Lien Bonds and the Current Bonds prior to maturity, as set forth in Section 204 hereof and as provided in the 1980 Bond Resolution.

H. Depreciation Reserve Fund. After all of the aforementioned transfers required to be made pursuant to this Section 402, have been made in each and/or any month, there shall next be transferred from the Revenue Fund to the "Western Fleming County Water District Waterworks Depreciation Reserve Fund", hereby created, the sum of \$170.00 each month until there is accumulated in such Depreciation Reserve Fund the sum of \$20,400.00, after which no further deposits need be made into such Depreciation Fund except to replace withdrawals.

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

BOND RESOLUTION

WESTERN FLEMING COUNTY WATER DISTRICT

AUTHORIZING

WESTERN FLEMING COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 1997

IN THE AMOUNT OF

\$675,000

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BOND RESOLUTION

RESOLUTION OF THE WESTERN FLEMING COUNTY WATER DISTRICT OF FLEMING COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$675,000 PRINCIPAL AMOUNT OF WESTERN FLEMING COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 1997 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

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

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$675,000 (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 Kenroy Engineers, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued so as to rank on a parity basis with the Prior Second Lien Bonds, subject to the vested rights and priorities in favor of the owners of the outstanding Prior First Lien Bonds, and

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

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

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

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$325,000, to provide the total cost of such construction,

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

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

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

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

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

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

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

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

"Bonds of 1969" or "Series 1969 Bonds" refer to the outstanding Western Fleming County Water District Waterworks System Refunding Revenue Bonds, dated January 1, 1969, in the original authorized principal amount of \$445,000.

"Bonds of 1980" or "Series 1980 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1980, dated December 30, 1980, in the original authorized principal amount of \$560,000.

"Bonds of 1988" or "Series 1988 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1988, dated April 18, 1989, in the original authorized principal amount of \$341,000.

"Bond Resolution of 1969" or "1969 Bond Resolution" refer to the Resolution authorizing the Bonds of 1969, duly adopted by the Board of Commissioners of the District on June 12, 1969.

"Bond Resolution of 1980" or "1980 Bond Resolution" refer to the Resolution authorizing the Bonds of 1980, duly adopted by the Board of Commissioners of the District on April 29, 1980.

"Bond Resolution of 1988" or "1988 Bond Resolution" refer to the Resolution authorizing the Bonds of 1988, duly adopted by the Board of Commissioners of the District on July 15, 1988.

"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 Western Fleming County Water District Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

"Current Bonds" refers to the \$675,000 of Western Fleming County Water District Waterworks Revenue Bonds, Series 1997 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is Farmers-Deposit Bank, Flemingsburg, Kentucky, or its successor.

"Depreciation Fund" refers to the Western Fleming County Water District Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Western Fleming County Water District of Fleming County, Kentucky.

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

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

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

"First Lien Sinking Fund" refers to the sinking funds created in the 1969 Bond Resolution relating to the Bonds of 1969.

"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 First Lien Sinking Fund, the Second Lien Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

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

"Grant Proceeds" refers to the proceeds of the RD Grant.

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

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

"Local Counsel" refers to Suit, McCartney & Price, Flemingsburg, 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 Western Fleming County Water District Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the 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 1969 Bonds, the Series 1980 Bonds and the Series 1988 Bonds.

"Prior Bond Resolution" refers collectively to the 1969 Bond Resolution, the 1980 Bond Resolution and the 1988 Bond Resolution.

"Prior First Lien Bonds" refers to the Series 1969 Bonds.

"Prior Second Lien Bonds" refers collectively to the Series 1980 Bonds and the Series 1988 Bonds.

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

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

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

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

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

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

"Second Lien Sinking Fund" refers to the Western Fleming County Water District Sinking Fund of 1980, described in Section 401 of this Resolution.

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

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$1,047,600. 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 \$675,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$1,047,600
Less:		
RD Grant	\$325,000	
Contribution	47,600	
Total Non-Bond Funds:		<u>(372,600)</u>
Balance to be financed by Current Bonds		\$675,000

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 \$675,000 principal amount of Western Fleming County Water District Waterworks Revenue Bonds, Series 1997.

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

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

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

Section 107. Current Bonds Shall be Payable on Second Lien Basis Out of Gross Revenues. The Current Bonds and the Prior Second Lien Bonds, and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a parity solely on a second lien basis out of the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior First Lien 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, 2007, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2007, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2006, at par plus accrued interest, without any prepayment penalty.

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

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$92,000 (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 \$92,000, 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 "Western Fleming County Water District Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

(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 1942-A.

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

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

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 1942-A.

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

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

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$675,000 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 \$675,000. 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 \$675,000 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 1980 Bond Resolution the following funds and accounts:

- (a) Western Fleming County Water District Waterworks Revenue Fund
- (b) Western Fleming County Water District Waterworks Revenue Bond and Interest Sinking Fund of 1980
- (c) Western Fleming County Water District Depreciation Reserve Fund
- (d) Western Fleming County Water District Operation and Maintenance Fund

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

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

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

B. First Lien Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the First Lien Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Prior First Lien 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 First Lien Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior First Lien Bonds maturing on the next succeeding maturity date.

Said First Lien 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 First Lien Bonds.

C. Prior Reserve Fund. There shall next be transferred from the Revenue Fund and deposited into the appropriate reserve accounts such funds as are required by the terms of the 1969 Bond Resolution to be so deposited; and such sums shall be held and applied by the District in the manner required by the 1969 Bond Resolution.

D. Second Lien Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Second Lien Sinking Fund an amount sufficient (currently estimated at \$20,000) 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 Second Lien Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds and the Prior Second Lien 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 and the Prior Second Lien Bonds then outstanding, plus
- (2) A sum equal to one-twelfth ($1/12$) of the principal of any Current Bonds and Prior Second Lien Bonds maturing on the next succeeding January 1.

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

E. Depreciation Fund. Pursuant to the provisions of the 1980 Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior Second Lien Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$485 (increased from \$170) each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$58,200 (increased from \$20,400), which amount shall be maintained, and when necessary, restored to said sum of \$58,200, so long as any of the Bonds are outstanding and unpaid.

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

destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

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

F. 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.

G. 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.

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

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

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. Any such investments will be a part of the respective Funds from which the proceeds invested are derived,

and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

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

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

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

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

The holder of this Bond has consented to the issuance of \$675,000 of Western Fleming County Water District Waterworks Revenue Bonds, Series 1997 ranking on a parity as to security and source of payment with this Bond.

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

ARTICLE 5. COVENANTS OF DISTRICT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

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

ARTICLE 7. DEFAULT AND CONSEQUENCES

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

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

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

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

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

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

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

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

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

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

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$325,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1942-31 (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 1942-47).
- (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 waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way

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

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

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

ARTICLE 10. CONCLUDING PROVISIONS

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

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

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

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

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

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

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

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

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

Adopted this October 29, 1997.

WESTERN FLEMING COUNTY WATER
DISTRICT



Chairman

(Seal of District)

Attest:



Secretary

CERTIFICATION

I, Vernon Barton, hereby certify that I am the duly qualified and acting Secretary of the Western Fleming County Water District of Fleming County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on October 29, 1997, 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 29, 1997.


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>
2000	\$ 7,000	2019	\$ 16,000
2001	7,500	2020	17,000
2002	7,500	2021	17,500
2003	8,000	2022	18,500
2004	8,500	2023	19,500
2005	8,500	2024	20,000
2006	9,500	2025	21,000
2007	9,500	2026	22,000
2008	10,000	2027	23,000
2009	10,500	2028	24,000
2010	11,000	2029	25,000
2011	11,500	2030	26,500
2012	12,000	2031	27,500
2013	12,500	2032	28,500
2014	13,000	2033	30,000
2015	13,500	2034	31,500
2016	14,500	2035	32,500
2017	14,500	2036	34,500
2018	15,500	2037	36,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
WESTERN FLEMING COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 1997

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

KNOW ALL MEN BY THESE PRESENTS:

That the Western Fleming County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Fleming 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 waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is issued on a parity as to security and source of payment with the outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1980, dated December 30, 1980 (the "Bonds of 1980"), authorized by an Resolution enacted by the Commission of the District on April 29, 1980 (the "1980 Bond Resolution"); and the outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1988, dated April 18, 1989 (the "Bonds of 1988"), authorized by an Resolution enacted by the Commission of the District on July 15, 1988 (the "1988 Bond Resolution"); [hereinafter the Bonds of 1980 and Bonds of 1988 shall be collectively referred to as the "Prior Second Lien Bonds", and the 1980 Bond Resolution and the 1988 Bond Resolution shall be collectively referred to as the "Prior Second Lien Bond Resolution"], but subject to the vested rights and priorities in favor of the owners of the outstanding Western Fleming County Water District Waterworks System Refunding Revenue Bonds, dated January 1, 1969 (the "Bonds of 1969"), authorized by an Resolution enacted by the Commission of the District on June 12, 1969 (the "1969 Bond Resolution"); Accordingly, this Bond, the Prior Second Lien Bonds together with any bonds ranking on a parity herewith, is payable from and secured on a second lien basis by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the Bonds of 1969 and the requirements of the 1969 Bond Resolution.

This Bond has been issued in full compliance with the Current Bond Resolution and the Prior Second Lien Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Second Lien 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 "Western Fleming County Water District Waterworks Revenue Bond and Interest Sinking Fund", created in the 1980 Bond Resolution.

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

other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2006, 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 his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

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

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by said 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 Western Fleming County Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

WESTERN FLEMING COUNTY WATER
DISTRICT
Fleming County, Kentucky

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Western Fleming County Water District Waterworks Revenue Bonds, Series 1997, in the amount of \$675,000

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 Western Fleming County Water District (the "District") of Fleming County, Kentucky.

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

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Western Fleming County Water District Construction Account", at the Farmers-Deposit Bank, Flemingsburg, Kentucky.

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

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

WESTERN FLEMING COUNTY WATER DISTRICT

KENNOY ENGINEERS, INC.

By _____ Chairman

By _____ Registered Professional Engineer State of Kentucky No. _____

Approved on _____

Approved on _____

Rural Development

Amount expended heretofore \$ _____

By _____ Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

REQUISITION CERTIFICATE

REQUISITION CERTIFICATE

BOND RESOLUTION

WESTERN FLEMING COUNTY WATER DISTRICT

AUTHORIZING

WESTERN FLEMING COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS,
SERIES 2002

IN THE AMOUNT OF

\$500,000

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BOND RESOLUTION

RESOLUTION OF THE WESTERN FLEMING COUNTY WATER DISTRICT OF FLEMING COUNTY, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$500,000 PRINCIPAL AMOUNT OF WESTERN FLEMING COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2002 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

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

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$500,000 (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 Quest Engineers, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued so as to rank on a parity basis with the Prior Second Lien Bonds, subject to the vested rights and priorities in favor of the owners of the outstanding Prior First Lien Bonds, and

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

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

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

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$327,000, and by a District contribution in the amount of at least \$196,000, to provide the total cost of such construction,

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

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

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

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

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

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

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

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

"Bonds of 1969" or "Series 1969 Bonds" refer to the outstanding Western Fleming County Water District Waterworks System Refunding Revenue Bonds, dated January 1, 1969, in the original authorized principal amount of \$445,000.

"Bonds of 1980" or "Series 1980 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1980, dated December 30, 1980, in the original authorized principal amount of \$560,000.

"Bonds of 1988" or "Series 1988 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1988, dated April 18, 1989, in the original authorized principal amount of \$341,000.

"Bonds of 1997" or "Series 1997 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds, Series 1997, dated September 10, 1998, in the original authorized principal amount of \$675,000.

"Bond Resolution of 1969" or "1969 Bond Resolution" refer to the Resolution authorizing the Bonds of 1969, duly adopted by the Board of Commissioners of the District on June 12, 1969.

"Bond Resolution of 1980" or "1980 Bond Resolution" refer to the Resolution authorizing the Bonds of 1980, duly adopted by the Board of Commissioners of the District on April 29, 1980.

"Bond Resolution of 1988" or "1988 Bond Resolution" refer to the Resolution authorizing the Bonds of 1988, duly adopted by the Board of Commissioners of the District on July 15, 1988.

"*Bond Resolution of 1997*" or "*1997 Bond Resolution*" refer to the Resolution authorizing the Bonds of 1997, duly adopted by the Board of Commissioners of the District on October 29, 1997.

"*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 Western Fleming County Water District Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

"*Current Bonds*" refers to the \$500,000 of Western Fleming County Water District Waterworks Revenue Bonds, Series 2002 authorized by this Resolution, to be dated as of the date of issuance thereof.

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

"*Depreciation Fund*" refers to the Western Fleming County Water District Depreciation Reserve Fund, described in Section 402 of this Resolution.

"*District*" refers to the Western Fleming County Water District of Fleming County, Kentucky.

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

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

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

"*First Lien Sinking Fund*" refers to the sinking funds created in the 1969 Bond Resolution relating to the Bonds of 1969.

"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 First Lien Sinking Fund, the Second Lien Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

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

"Grant Proceeds" refers to the proceeds of the RD Grant.

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

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

"Local Counsel" refers to Suit, McCartney & Price, Flemingsburg, 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 Western Fleming County Water District Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the 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 1969 Bonds, the Series 1980 Bonds, the Series 1988 Bonds and the Series 1997 Bonds.

"Prior Bond Resolution" refers collectively to the 1969 Bond Resolution, the 1980 Bond Resolution, the 1988 Bond Resolution and the 1997 Bond Resolution.

"Prior First Lien Bonds" refers to the Series 1969 Bonds.

"Prior Reserve Fund" refers to the Western Fleming County Water District Bond Reserve Account, described in Section 401 of this Resolution.

"Prior Second Lien Bonds" refers collectively to the Series 1980 Bonds, the Series 1988 Bonds and the Series 1997 Bonds.

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

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

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

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

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

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

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

"Second Lien Sinking Fund" refers to the Western Fleming County Water District Sinking Fund of 1980, described in Section 401 of this Resolution.

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$1,023,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$500,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$1,023,000
Less:		
RD Grant	\$327,000	
District Contribution	<u>196,000</u>	
Total Non-Bond Funds:		<u>(523,000)</u>
Balance to be financed by Current Bonds		\$500,000

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 \$500,000 principal amount of Western Fleming County Water District Waterworks Revenue Bonds, Series 2002.

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

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

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

Section 107. Current Bonds Shall be Payable on Second Lien Basis Out of Gross Revenues. The Current Bonds and the Prior Second Lien Bonds, and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a parity solely on a second lien basis out of the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior First Lien Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2012, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2012, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2011, at par plus accrued interest, without any prepayment penalty.

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

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$120,000 (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 \$120,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. Covenants Applicable if RD Purchases Current Bond 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 "Western Fleming County Water District Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed

by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Current Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$151,000 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Current Bonds and Grant Proceeds in order to assure completion of the Project.

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

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

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

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

(4) Transfer of Capitalized Interest to Second Lien Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$12,000) 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 Second Lien Sinking Fund.

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

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

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

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

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Second Lien Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Second Lien 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 \$500,000 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 in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

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

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

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Second Lien Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Second Lien 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 \$500,000 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 \$500,000. 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 \$500,000 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) Western Fleming County Water District Waterworks Revenue Fund
- (b) Western Fleming County Water District Waterworks Revenue Bond and Interest Sinking Fund of 1980
- (c) Western Fleming County Water District Depreciation Reserve Fund
- (d) Western Fleming County Water District Operation and Maintenance Fund
- (e) Western Fleming County Water District Bond Reserve Account

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

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

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

B. First Lien Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the First Lien Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Prior First Lien 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 First Lien Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior First Lien Bonds maturing on the next succeeding maturity date.

Said First Lien 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 First Lien Bonds.

C. Prior Reserve Fund. There shall next be transferred from the Revenue Fund and deposited into the Prior Reserve Fund such funds as are required by the terms of the 1969 Bond Resolution to be so deposited; and such sums shall be held and applied by the District in the manner required by the 1969 Bond Resolution.

D. Second Lien Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Second Lien Sinking Fund an amount sufficient (currently estimated at \$12,000) 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 Second Lien Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds and the Prior Second Lien 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 and the Prior Second Lien Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds and Prior Second Lien Bonds maturing on the next succeeding January 1.

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

E. Depreciation Fund. Pursuant to the provisions of the 1980 Bond Resolution which requires that an adjustment be made in the Depreciation Fund upon the issuance of bonds ranking on a parity with the Prior Second Lien Bonds, it is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$235 until the Current Bonds are paid in full. These deposits are in addition to the monthly deposits required by the Prior Bond Resolution.

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

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

F. 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.

G. 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.

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

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

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

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

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

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

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

The holder of this Bond has consented to the issuance of \$500,000 of WesternFleming County Water District Waterworks Revenue Bonds, Series 2002 ranking on a parity as to security and source of payment with this Bond.

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

ARTICLE 5. COVENANTS OF DISTRICT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

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

ARTICLE 7. DEFAULT AND CONSEQUENCES

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

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

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

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

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

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

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

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

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

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

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$327,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

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

Section 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 waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with

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

Section 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.

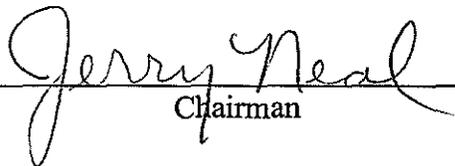
Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

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 August 14, 2002.

WESTERN FLEMING COUNTY WATER DISTRICT


Chairman

(Seal of District)

Attest:

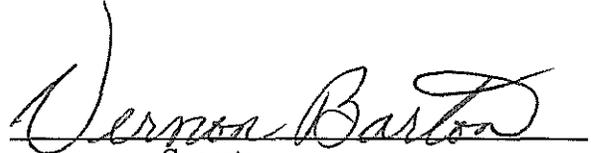

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Fleming County Water District of Fleming County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on August 14, 2002, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this August 14, 2002.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1,</u>	<u>Principal</u> <u>Payment</u>
2005	\$5,000	2024	\$12,000
2006	5,500	2025	12,500
2007	5,500	2026	13,000
2008	6,000	2027	13,500
2009	6,000	2028	14,500
2010	6,500	2029	15,000
2011	7,000	2030	15,500
2012	7,000	2031	16,500
2013	7,500	2032	17,000
2014	7,500	2033	18,000
2015	8,000	2034	18,500
2016	8,500	2035	19,500
2017	9,000	2036	20,500
2018	9,000	2037	21,000
2019	9,500	2038	22,000
2020	10,000	2039	23,000
2021	10,500	2040	24,000
2022	11,000	2041	25,500
2023	11,500	2042	28,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF FLEMING
WESTERN FLEMING COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS,
SERIES 2002

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

KNOW ALL PERSONS BY THESE PRESENTS:

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

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

_____ DOLLARS (\$ _____),

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

Year Principal Year Principal Year Principal

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

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

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

This Bond is issued on a parity as to security and source of payment with the outstanding (i) Western Fleming County Water District Waterworks Revenue Bonds of 1980, dated December 30, 1980 (the "Bonds of 1980"), authorized by a Resolution enacted by the Commission of the District on April 29, 1980 (the "1980 Bond Resolution"); (ii) Western Fleming County Water District Waterworks Revenue Bonds of 1988, dated April 18, 1989 (the "Bonds of 1988"), authorized by a Resolution enacted by the Commission of the District on July 15, 1988 (the "1988 Bond Resolution"); and (iii) Western Fleming County Water District Waterworks Revenue Bonds, Series 1997, dated September 10, 1998 (the "Bonds of 1997"), authorized by a Resolution enacted by the Commission of the District on October 29, 1997 (the "1997 Bond Resolution") [hereinafter the Bonds of 1980, the Bonds of 1988 and the Bonds of 1997 shall be collectively referred to as the "Prior Second Lien Bonds", and the 1980 Bond Resolution, the 1988 Bond Resolution and the 1997 Bond Resolution shall be collectively referred to as the "Prior Second Lien Bond Resolution"], but subject to the vested rights and priorities in favor of the owners of the outstanding Western Fleming County Water District Waterworks System Refunding Revenue Bonds, dated January 1, 1969 (the "Bonds of 1969"), authorized by a Resolution enacted by the Commission of the District on June 12, 1969 (the "1969 Bond Resolution"). Accordingly, this Bond, the Prior Second Lien Bonds together with any bonds ranking on a parity herewith, is payable from and secured on a second lien basis by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the Bonds of 1969 and the requirements of the 1969 Bond Resolution.

This Bond has been issued in full compliance with the Current Bond Resolution and the Prior Second Lien Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Second Lien 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 "Western Fleming County Water District Waterworks Revenue Bond and Interest Sinking Fund", created in the 1980 Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds and/or this Bond, are outstanding, the System will be continuously owned and

operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2012, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

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

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

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

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

WESTERN FLEMING COUNTY WATER DISTRICT
Fleming County, Kentucky

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Western Fleming County Water District Waterworks Revenue Bonds, Series 2002, in the amount of \$500,000

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 Western Fleming County Water District (the "District") of Fleming County, Kentucky.

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

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Western Fleming County Water District Construction Account", at the Farmers-Deposit Bank, Flemingsburg, Kentucky.

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 200__.

WESTERN FLEMING COUNTY
WATER DISTRICT

QUEST ENGINEERS, INC.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

Assistance Agreement

4
RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY

2010 JUN 11 P 4: 25

ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
WESTERN FLEMING COUNTY WATER DISTRICT

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and Western Fleming County Water District (the "Governmental Agency"), dated as of October 1, 2009

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

DISTRIBUTION LIST

Mr. Vernon Barton, Chairman
Western Fleming County Water District
PO Box 16
Ewing, Kentucky 41039

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

Ms. Lola Lyle
SRF and SPAP Section, Water Infrastructure Branch
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

Mr. Charles Lush, Jr.
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Flemingsburg, KY 41041

Phone (606) 849-2338
Fax (606) 845-8701

November 5, 2009

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

**Re: Assistance Agreement by and between Kentucky Infrastructure Authority and
Western Fleming County Water District, dated as of October 1, 2009**

Ladies and Gentlemen:

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

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

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

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

3) The Governmental Agency has all necessary power and authority (i) to enter into,

perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

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

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

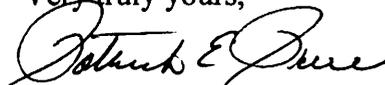
6) To the best of my knowledge after due inquiry, there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the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

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

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

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

Very truly yours,



Patrick E. Price

PEP:jtr

<JTR\Letters\KY Infrastructure Auth re WestFlemWaterDist (11-05-09)>

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Western Fleming County Water District (the "Governmental Agency"), dated as of October 1, 2009

GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY

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

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

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

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

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

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

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

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

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

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

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

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

WITNESS our signatures, this 19TH day of NOVEMBER, 2009.

**GOVERNMENTAL AGENCY:
WESTERN FLEMING COUNTY WATER
DISTRICT**

By: Vernon Barton
Name: Vernon Barton
Title: Chairman

ATTEST:

By: Wm. Fred Rose
Name: W. FRED ROSE, JR.
Title: Secretary

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F08-01

BORROWER: Western Fleming County Water District

BORROWER'S ADDRESS: PO Box 16
Ewing, Kentucky 41039

DATE OF ASSISTANCE AGREEMENT: October 1, 2009

CFDA NO.: 66.468

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

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

WITNESSETH

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

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

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

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

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

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

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

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

"*Cabinet*" means the Natural Resources and Environmental Protection Cabinet of the Commonwealth.

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

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

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

"*Debt Obligations*" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance

Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to proceed with the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

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

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

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

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

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

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

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

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

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

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

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

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

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

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

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable

from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

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

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

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

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

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

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

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

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

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

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

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

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

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

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

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

Social Policy Authorities

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

(g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

- (a) KRS 224
- (b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (c) KRS Chapter 337, Labor Laws
- (d) 401 KAR Chapter 5

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

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX

MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

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

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

ATTEST:

KENTUCKY INFRASTRUCTURE
AUTHORITY

Sandy Williams

By: [Signature]

Title: SECRETARY

Title: EXECUTIVE DIRECTOR

ATTEST:

GOVERNMENTAL AGENCY:
WESTERN FLEMING COUNTY WATER
DISTRICT

Wm. Fred Rose Jr.

By: Vernon Barton

Title: SECRETARY

Title: CHAIRMAN

APPROVED:

EXAMINED:

[Signature]
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

Peck, Shaffer + Williams LLP
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENVIRONMENTAL AND PUBLIC PROTECTION
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

Patrick Miller
APPROVED

FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
Western Fleming County Water District
PROJECT SPECIFICS
F08-01

GOVERNMENTAL AGENCY:

Name: Western Fleming County Water District
 PO Box 16
 Ewing, Kentucky 41039

Contact
 Person: Vernon Barton
 606-267-2120

SYSTEM: Drinking Water

PROJECT: Phase III Water System Improvements - The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new raw water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements.

PROJECT BUDGET:

	Fund F Loan	HB 380 Grant	Total
Administrative Expenses	6,886	-	\$ 6,886
Legal Expenses	5,000	-	\$ 5,000
Engineering Fees	246,114	50,000	\$ 296,114
Construction	2,055,000	-	\$ 2,055,000
Contingency	200,000	-	\$ 200,000
Other	5,000	-	\$ 5,000
Total	2,518,000	50,000	\$ 2,568,000

FUNDING SOURCES:

	Amount	%
Fund F Loan	\$ 2,518,000	98%
HB 380 Grant	\$ 50,000	2%
Total	\$ 2,568,000	100%

KIA DEBT SERVICE:

Construction Loan	\$	2,518,000
Interest Rate		1.00%
Loan Term (Years)		30
Estimated Annual Debt Service	\$	97,360
Administrative Fee (0.25%)	\$	6,295
Total Estimated Annual Debt Service	\$	103,655

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 6/1/10).

Full principal and interest payments will commence within one year of initiation of operation (estimated 6/01/11).

REPLACEMENT RESERVE ACCOUNT:	\$	6,500	ANNUAL AMOUNT
	\$	65,000	TOTAL AMOUNT

The annual replacement cost is \$6,500. This amount should be added to the replacement account each December 1 until the balance reaches \$65,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>
1969 Serial	\$59,583
1980 FHA	\$314,000
1988 FHA	\$260,000
1997 FHA	\$609,000
2003 FHA	\$484,000
2004 KY Rural Water	\$290,370
Total	<u>\$2,016,953</u>

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	<u>\$ 5,000,000</u>
Death or Personal Injury (per occurrence)	<u>\$ 3,000,000</u>
Property Damage on System	<u>\$ 5,000,000</u>

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED OCTOBER 1, 2009
LOAN NO. F08-01

Request No. _____

Dated: _____

Original sent to: Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

Copy sent to: Division of Water
Energy and Environment Cabinet
Attn: Water Infrastructure Branch, SRF and SPAP Section
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

FROM: WESTERN FLEMING COUNTY WATER DISTRICT (the
"Governmental Agency")

Gentlemen:

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of drinking water supply facilities, described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling \$_____.

Documentation supporting the expenses incurred and identified per this request are attached.

ELIGIBLE PROJECT EXPENSES INCURRED

<u>Contractor</u>	<u>Expenses this Request</u>	<u>Expenses to Date</u>
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Total

ALLOCATION OF FUNDING FOR EXPENSES

<u>Funding Source</u>	<u>Portion of Expenses this Request</u>	<u>Portion of Expenses Total to Date</u>
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Totals

The Governmental Agency certifies it has also paid Project expenses for planning and design or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

<u>Funding Source</u>	<u>Amount of Payment or Requisition</u>	<u>Date of Payment or Requisition</u>
-----------------------	---	---------------------------------------

Respectfully submitted,

Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO
PAYMENT REQUEST

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Architect

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

[SEE ATTACHED]

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00332 DATED JUNE 18, 2008

The following rates are prescribed for the customers in the area served by Western Fleming County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATES AND CHARGES

5/8" x 3/4" Meter

First	1,000 gallons	\$	11.36	Minimum bill
Next	6,000 gallons		5.94	per 1,000 gallons
Next	3,000 gallons		5.10	per 1,000 gallons
Over	10,000 gallons		3.43	per 1,000 gallons
Wholesale Water Rates		\$	1.43	per 1,000 gallons

METER CONNECTION/TAP CHARGES

5/8 Inch Meter	\$	600
1 Inch Meter		Actual Cost

SPECIAL NON-RECURRING CHARGES

Connection-Turn On	\$	25.00
Re-Connection	\$	50.00
Re-Connection (After Hours)	\$	60.00
Service Call/Investigation	\$	25.00
Service Call (After Hours)	\$	35.00

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
WESTERN FLEMING COUNTY WATER DISTRICT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority \$ 2,518,000

Principal and Interest Payable
on Each June 1 and December 1

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: _____

Title: _____

**WESTERN FLEMING COUNTY WATER
DISTRICT**

Governmental Agency

Vernon Barton

By: VERNON BARTON

Title: CHAIRMAN

ATTEST:

Title: _____

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Western Fleming County Water District, dated as of October 1, 2009

Ladies and Gentlemen:

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

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

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

45826.1

RESOLUTION

RESOLUTION OF THE WESTERN FLEMING COUNTY WATER DISTRICT RATIFYING THE EXECUTION AND DELIVERY OF AN ASSISTANCE AGREEMENT DATED AS OF OCTOBER 1, 2009 BETWEEN THE WESTERN FLEMING COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Western Fleming County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water System (the "Project") and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of October 1, 2009 (the "Assistance Agreement") with the Authority; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Western Fleming County Water District, as follows:

SECTION 1. That the Governing Authority hereby ratifies and approves the execution and delivery of the Assistance Agreement between the Governmental Agency and the Authority for the purpose of providing the necessary financing to the Governmental Agency for the acquisition and construction of the Project.

SECTION 2. That the actions of the Chairman and Secretary of the Governmental Agency in executing the Assistance Agreement are hereby ratified and approved, and said officials are further authorized, directed and empowered to execute any additional necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on 11/19, 2009.


Chairman

Attest:


Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Fleming County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on 11/19, 2009; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was 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 official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 19TH day of NOVEMBER, 2009.

Wm. Fred Rose
Recording Officer

45852.1

WESTERN FLEMING COUNTY WATER DISTRICT
AGENDA
THURSDAY NOVEMBER 19, 2009

THOSE IN ATTENDANCE WERE: VERNON BARTON, JIM HUSTON, FRED ROSE, LARRY INGRAM, BILLY HUNTER, DANNY MCINTYRE, MOLLY RUARK, VERNON OVERLEY, PAT PRICE.

MEETING CALLED TO ORDER BY VERNON BARTON.

BOB WITH HDR/QUEST REPORTED THAT IN ORDER TO FINISH THE KIA LOAN A RESOLUTION NEEDED TO BE PASSED AND PAT PRICE READ THE RESOLUTION AND MOTION WAS MADE BY FRED ROSE AND SECOND BY JIM HUSTON, VOTE WAS UNANIMOUS. VERNON AND FRED SIGNED THE RESOLUTION AND THE CLOSING CERTIFICATES ON THE LOAN. WILL NEED TO FAX THE MINUTES FROM THIS MEETING TO BOB TOMORROW. BOB ALSO REPORTED THAT ROB WILLIAMS SAID THE WORK WAS GOING WELL AT THE WATER PLANT. LARRY ASKED BOB ABOUT THE HYDRAULICS ON THE BRIDGE AT COWAN. MITCH THOMAS AND ZANE ALEXANDER STATED IT WOULD TAKE 7,500 TO 10,000 TO INCREASE LINE SIZE TO SIX INCH INSTEAD OF FOUR INCH, THIS WOULD BE ENGINEERING COST. BOB WILL TAKE CARE OF THIS AND LET US NOW.

GROVER MONEY, ELZIE PRICE AND ROB APPELATE FROM THE FIRE DEPARTMENT REPORTED THAT THE 5,000 GRANT THEY RECEIVED TO INSTALL FIRE HYDRANTS COULD BE USED ON THE FOUR HYDRANTS THAT THE WATER DISTRICT ALREADY HAS. THE GRANT IS GOOD UNTIL DEC. 2010. WILL PROBABLY HAVE TO WAIT UNTIL THE SPRING TO INSTALL THESE HYDRANTS DUE TO THE WEATHER. MOTION WAS MADE BY FRED ROSE AND SECOND BY LARRY INGRAM TO INSTALL THE FOUR USED HYDRANTS USING THE 5,000 GRANT MONEY TO HELP PAY FOR THE HOT TAPS THAT AFTON DYER WILL HAVE TO DO AND WFWD WILL PAY THE DIFFERENCE. THEY ALSO DISCUSSED THE COIN MACHINE AT THE FIRE DEPT. AND WHO'S COST WOULD IT BE TO MOVE IT IF THE FIRE DEPT. BUILDS ONTO THE EXISTING BUILDING IN THE FUTURE. FIRE DEPT. WOULD GIVE THE WATER DISTRICT A 60 TO 90 DAY NOTICE BEFORE THIS WOULD BE DONE. AFTER MUCH DISCUSSION ABOUT LIABILITY THE COMMISSIONERS ALL AGREED TO SHUT THE VALUE OFF TO THE COIN MACHINE AND PUT SIGN UP (OUT OF ORDER) UNTIL SPRING AND SEE HOW MANY COMPLAINTS WE RECEIVE. IT MAY NOT BE FEASIBLE TO FIX THE LEAK BUT TO DO AWAY WITH IT ALL TOGETHER. WE ONLY KNOW OF THREE PEOPLE THAT USE THE MACHINE FOR FARMING NOW. GROVER

ALSO ASKED THAT IF THEY REPAIR THE HYDRANT ACROSS FROM JABETOWN MILL THAT IT BE MOVED TO SUSAN RAMEY'S DRIVEWAY.

MOTION MADE BY FRED ROSE AND SECOND BY JIM HUSTON TO ACCEPT MINUTES FROM LAST MEETING.

OLD BUSINESS:

1. REVIEWED THE OPTIONS FOR THE MENU FOR THE CHRISTMAS DINNER AND EVERYONE AGREED UPON TURKEY AND STUFFING, PORK LION AND GRAVY, MASHED POTATOES, BROCCOLI CASSEROLE, SWEET POTATO CASSEROLE, TOSSED SALAD, STRAWBERRY CHESSECAKE, AND PECAN PIE.

NEW BUSINESS:

1. NOT SURE WHAT IS GOING ON WITH CHRIS GEHRING'S METER BUT HIS USAGE IS UP AND DOWN AND DOESN'T APPEAR TO HAVE A LEAK. JAMES MEADE IS SUPPOSED TO LOOK AT IT FOR CHRIS SINCE HE INSTALLED THE LINE. COMMISSIONERS AGREED TO WAIT AND SEE WHAT JAMES FINDS BEFORE PUTTING IN ANOTHER METER, BECAUSE THE METER WAS JUST INSTALLED IN OCTOBER 2008.
2. SENT 279 DISCONNECT NOTICES OUT THIS MONTH.
3. LARRY SAID REGIONAL DID NOT MEET IN NOVEMBER. THE ONLY THING HE WAS TOLD WAS THEY DID HIRE SOMEONE FOR THE POSITION, AT A LOWER RATE AND HE WILL BE TRAINED.
4. VERNON DISCUSSED RONALD GRAY'S LEAK AND WHAT ALL WENT ON SO THAT EVERY COMMISSIONER KNEW WHAT HAPPENED.
5. VERNON REPORTED THAT CINDY MITCHELL'S METER WELL IS BUSTED AGAIN AND ALSO SUSAN RAMEY'S IS BUSTED AGAIN. COMMISSIONERS ALL AGREED THAT IF A CUSTOMER DAMAGES THE METER WELL AND LID MORE THAN TWICE THEN THEY WOULD BE BILLED FOR THE REPAIRS.
6. DANNY ASKED THE COMMISSIONERS FOR OKAY TO GET NEW BATTERY FOR THE TRUCK AND ALL AGREED.
7. BILLY ED REPORTED THAT WE ARE SALING MORE WATER TO NICHOLAS COUNTY AND THAT HE INSTALLED THE TIME CLOCK THE LAST WEEK OF OCTOBER. ALSO REPORTED THAT CONSTRUCTION IS GOING GOOD AND THEY STARTED POURING CONCRETE THIS WEEK. THEY WORK FOUR DAYS A WEEK, TEN HOUR A DAYS. BILLY ALSO ASKED PAT PRICE TO SEND A LETTER TO THE FILTER COMPANY AND SEE IF THEY WILL REIMBURSE FOR FIXING THE FILTERS. PAT WILL GET WITH ROB WILLIAMS AND GET ALL THE DETAILS CONCERNING THIS MATTER.
8. NEXT MEETING WILL BE DECEMBER 17TH AT 7:00 P.M.

9. VERNON SAID IN HIS OPINION HE WANTS TO STOP BUYING WATER FROM REGIONAL ONCE THIS PROJECT IS DONE IN 2010. SO THAT IT IS EASIER FOR WFWD TO MAKE ALL THEIR PAYMENTS AND NOT TO HAVE ANOTHER RATE INCREASE. THEY WILL MEET WITH REGIONAL ABOUT THIS WHEN THE TIME COMES.
10. VERNON ASKED FOR MOTION TO ADJOURN AND JIM HUSTON MADE THE MOTION AND LARRY INGRAM SECOND IT.

VERNON BARTON, CHAIRMAN

FRED ROSE, SECRETARY

**KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board**

**Meeting Date/Location: February 7, 2008 – 1:30 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort**

Members present:

Ms. Terri Fugate, Finance and Administration Cabinet
(proxy for Secretary Jonathan Miller, FAC)
Secretary Robert D. Vance, Environmental and Public Protection Cabinet
Mr. George Burgess, Economic Development Cabinet
(proxy for Secretary John Hindman, EDC)
Mr. Bob Amato, Deputy Executive Director, Public Service Commission
(proxy for Ms. Beth O'Donnell, Executive Director, PSC)
Mr. James L. Cauley, Acting Commissioner, Governor's Office for Local Development
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Gregory Heitzman, representing the American Water Works Association
Mr. Lyn Bailey, Mayor, City of Cadiz, representing the Kentucky League of Cities
Mr. Larry B. Whitaker, McLean County Judge/Executive, representing the Kentucky
Association of Counties

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies

Guests:

Ms. Kristi Culpepper, Legislative Research Commission
Ms. Lola Lyle, Division of Water
Ms. Donna Marlin, Division of Water
Mr. Bob Sturdivant, HDR/Quest Engineers
Mr. Vernon Barton, Western Fleming Water District
Mr. William Hunter, Western Fleming Water District
Mr. William Ray, Glasgow Electric Plant Board
Mr. Donald Blackburn, Berea Utilities
Mr. Ron McMaine, Bell Engineering
Mr. John Hodges, Paducah McCracken Joint Sewer Agency
Ms. Amy Neihoff, Paducah McCracken Joint Sewer Agency
Mr. Larry T. Ingram, Western Fleming Water District
Mr. Brent Tippey, HDR/Quest Engineers
Mr. Tony Harover, Harover Engineering and Design
Mr. David Billings, Frankfort Plant Board
Ms. Sharmista Dutta, Frankfort Plant Board
Ms. Vicki Goins, Governors Office of Policy and Management
Mr. Marty Nemes, Kentucky League of Cities
Mr. Joe Henry, GRW, Inc.

Mr. Vince Guenthner, Louisville Water Company
Mr. Kevin Brian, HDR/Quest Engineers
Mr. Shafiq Amawi, DOW
Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Matt Sawyers, GOLD
Mr. Larry Cann, Cann-Tech Engineers

PROCEEDINGS

Vice Chair Lyn Bailey called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. He noted that a quorum was present and that the press had been notified regarding the meeting. Vice Chair Bailey asked all board members and guests to introduce themselves. He also welcomed and congratulated Secretary Robert D. Vance on his appointment to the EPPC and Mr. James L. Cauley as Acting Commissioner for GOLD.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Full Board Meeting of December 6, 2007

Mr. Damon Tally moved to approve the minutes of the December 6, 2007 meeting. Mr. Bob Amato seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ELECTION OF CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY

Vice Chair Bailey opened the floor for nominations.

Secretary Robert Vance moved to nominate Mr. James L. Cauley, Acting Commissioner of GOLD, for the position of Board Chair. Mr. Bob Amato seconded the nomination. There being no further nominations, the motion carried unanimously.

Vice Chair Bailey requested a motion that Mr. Cauley be elected by acclamation.

Secretary Vance moved to elect Mr. Cauley by acclamation. Mr. Amato seconded and the motion carried unanimously.

Vice Chair Bailey continued to conduct the remainder of the meeting.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND B INTEREST RATES FOR THE PERIOD JANUARY 1, 2008 THROUGH MARCH 31, 2008

Mr. John Covington, KIA, introduced the Resolution establishing the Fund B

interest rates. The interest rate for all KIA Fund B loans approved by the Authority during the period January 1, 2008 through March 31, 2008 shall be as follows: the above median interest rate will be 2.6% and the below median interest rate will be 0.6%.

Mr. Amato asked about previous interest rates. Mr. Covington directed the board to the handout, "Infrastructure Revolving Fund (Fund B) Interest Rate History, Fiscal Years 2003 through 2008, July 1, 2002 through June 30, 2008".

Mr. Damon Talley moved to adopt the Resolution setting the Fund B Rate. Mr. George Burgess seconded, and the motion carried unanimously.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND A LOAN IN THE AMOUNT OF \$1,600,000 TO THE PADUCAH MCCRACKEN JOINT SEWER AGENCY, MCCRACKEN COUNTY, KENTUCKY

Mr. John Covington, KIA, and Mr. Shafiq Amawi, DOW, presented the project to the board. The project consists of construction of an additional secondary clarifier, primary flow splitting box, new Return Activated Sludge pump station and other various hydraulic improvements within the Paducah Waste Water Treatment Plant increasing the hydraulic capacity from 9 to 18 MGD, reducing combined sewer overflows at the Paducah Waste Water Treatment Plant. Also construction of a bar screen building at the Paducah Waste Water Treatment Plant. The term of the loan is 20 years with an interest rate of 1.0% due to the Paducah McCracken Joint Sewer Agency qualifying as a multi-jurisdictional provider of service thus meeting the definition of a regional project. There is not a rate increase associated with this project and a uniform rate structure for all consumers is projected for the second half of 2009. The Paducah McCracken Joint Sewer Agency has three KIA loans that will be maturing in 2008 which will therefore reduce their debt service. The utility shows adequate cashflow to repay the KIA Fund A loan. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman moved to approve the resolution. Mr. Bob Amato seconded, and the motion carried unanimously.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A INFRASTRUCTURE REVOLVING FUND B LOAN IN THE AMOUNT OF \$1,100,000 TO GLASGOW ELECTRIC PLANT BOARD, BARREN COUNTY, KENTUCKY

Mr. John Covington, KIA, presented the project to the board. The Electric Plant Board of the City of Glasgow will contract with Tennessee Valley Authority to install a 24-count fiber optic cable to connect Glasgow's broadband network to Bowling Green's broadband network. This will increase the connection speed from a DS3 (45 Mbps) to an OC3 (155 Mbps). The term of the loan is 20 years with an interest rate of 0.6%. Glasgow was an early adaptor in providing Internet

service and has been recognized nationally as a leader in providing municipal Internet service. KIA recommends the project for approval with the standard conditions.

Mr. Gregory Heitzman asked for clarification of the advantages of the project. Mr. Covington explained it is a cost savings, it increases the connection speed and creates a connection between Glasgow and Bowling Green.

Judge Larry Whitaker noted it was remarkable, according to demographics presented, that such a large number of households in Glasgow are connected to broadband service. He also inquired if AT&T and Windstream were available to provide an OC3 connection speed. A representative from Glasgow Electric Plant Board stated they are available but the difference between the market rate that AT&T and Windstream would charge and the actual cost of building it themselves is dramatic.

Mr. George Burgess moved to approve the resolution. Judge Larry Whitaker seconded, and the motion carried unanimously.

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$2,518,000 TO THE WESTERN FLEMING COUNTY WATER DISTRICT, FLEMING COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The Western Fleming County Water District is requesting a loan to construct Phase III Water System Improvements. The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements. DOW encourages Western Fleming County Water District to strive to meet the area-wide optimization program community goals to improve public health. The term of the loan is for 30 years with an interest rate of 1.0%. In 2006, due to a cashflow crunch, the Western Fleming County Water District commissioned the Kentucky Rural Water Association to do a rate study. The rate study has been completed, has been filed with the Public Service Commission and the district expects a positive outcome very soon. The rate increase will be on average about 89%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Damon Talley asked the reason for a 30 year repayment term instead of the 20 year term. Ms. Williams explained a Fund F borrower could qualify for a 30 year repayment term if they are identified as a disadvantaged community. KIA has defined that if the District meets the non-standard interest rate conditions from the median household income they also meet the definition of disadvantaged, and the District requested the term. Mr. Talley also asked if the Western Fleming Water District is a member of the Greater Fleming County Regional Water Commission and was this project more feasible than buying more water from the Commission. A representative from the Western Fleming

County Water District affirmed they are a member of the Commission and the Commission's main transmission is on the opposite end of the county from where they are located.

Mr. Gregory Heitzman noted and Ms. Williams confirmed the reason the debt coverage ratio projected in 2007 is .86 and the projected debt coverage ratio in 2008 increases to 4.21 is based on the assumption that the pending Public Service Commission rate increase is approved. Mr. Heitzman expressed concern that if the rate increase were not approved then the additional debt of this loan would contribute to a debt coverage ratio of less than 1. Ms. Williams said that was true, but one of KIA's standard conditions is, if a rate increase needed to be approved by the Public Service Commission, that approval would be necessary before an Assistance Agreement is entered into. Therefore, if the rate increase was not approved and the debt coverage ratio was less than 1, this project would have to be brought before the board again. Mr. Bob Amato noted and Ms. Williams confirmed there is clause in the Assistance Agreement stating should the revenues decrease and not be sufficient to pay the debt service, KIA would require the borrower to increase rates sufficient to cover the debt service.

Ms. Terri Fugate asked if there was a reason for the decline in revenues from 2005 to 2006. A representative from the Western Fleming County Water District stated a possible decline in the revenues could have been that 2005 was a dry year and 2006 was a very wet year; and during that time there was an increased effort to reduce leakage.

Mr. Gregory Heitzman moved to approve the resolution. Mr. James Cauley seconded, and the motion carried unanimously with Mr. Bob Amato abstaining.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$1,950,949 TO THE MEADE COUNTY WATER DISTRICT, MEADE COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The Meade County Water District is requesting a loan to construct Phase VII Water System Improvements. This project will extend approximately 97,000 linear feet of 6 and 8-inch water mains to serve 240 new customers along eight county and state roads (KY 2727, KY 144, KY 79, KY 428, Fred Fackler Road, Hog Wallow Road, Knotts Road, and Rabbit Run Road). Also included is the construction of a new 500,000 gallon elevated water storage tank. The project is needed to provide potable water to 240 potential customers that are currently unserved. Many of these potential customers are currently utilizing water wells and cisterns that do not have adequate disinfection systems. These potential health hazards will be eliminated by this project. The term of the loan is 20 years with an interest rate of 3.0%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman asked for a clarification if Fund F loans could be used on extensions for an unserved need. Ms. Marlin answered that Fund F cannot be

used for growth purposes only but, if there is a demonstrated need, they can include growth into the project and must show how they comply with the Safe Drinking Water Act. The pressure, distribution and tank turnover issues are enough for this project to qualify. Also, the existing homes they are picking up are not new subdivisions and they have cistern and disinfection issues associated with the water wells.

Mr. Damon Talley moved to approve the resolution. Mr. George Burgess seconded, and the motion carried unanimously with Mr. Bob Amato abstaining.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$4,000,000 TO THE CITY OF BEREA, MADISON COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The City of Berea is requesting a loan to construct upgrades to the water treatment plant and the raw water intake. The major components of this project are a dissolved air flotation system to help meet total organic carbon (TOC) removal requirements, new filters, upgraded chemical feed, new high service pumps, new raw water pumps, new sludge treatment system, and replacement mains connecting Cowbell pump station with Cowbell reservoir (constructed fall 2007), and a replacement main connecting an existing 16" main and B Lake (construction fall 2007). A new low-level clearwell will be added to assist in meeting CT values when feeding chloramines. The mains and pump station improvements will allow the raw water system to meet demands. This project will enhance the quality of the water to the customers in the system by allowing it to meet the regulations on TOC removal. The sludge treatment process will remove a higher concentration of solids from plant wastewater, improving the quality of the water returned to the receiving stream. The loan has a term of 20 years with an interest rate of 1.0%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman asked if the current water treatment plan is a 4MGD plant. Ms. Marlin confirmed it is a 4MGD plant and will remain the same. Mr. Heitzman noted that according to the Cashflow Analysis of the Utility System the debt coverage ratio dropped in the projected years 2007 to 2011. He expressed concern that this was a rapid decline in the debt service coverage level over a 4-year period and noted, if projections were extended one more year, the ratio would drop less than 1. He wanted to know if there were any conditions set for stabilizing the drop or for any rate increases. Donald Blackburn, City of Berea Municipal Utilities, stated they have not had a rate increase since 1990. A rate study has recently been completed and approved by their finance committee and the utility will be addressing that issue in the very near future. Ms. Williams stated one reason for the sharp decline is in 2009 interest will be due on the Fund F loan, in 2010 the city will have to make half a year's payment, and then in 2011, the city will make the full principal and interest payment. As this debt service requirement increases, the debt coverage ratio will decrease. Ms. Williams stated KIA does not have a required rate increase but there is a

provision in the assistance agreement that if the utility is not able to meet their operation and maintenance requirements, as well as their debt service requirements, then they must increase their rate.

Mr. Gregory Heitzman moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0. Mr. George Burgess seconded, and the motion carried unanimously.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$6,841,000 TO THE FRANKFORT ELECTRIC & WATER PLANT BOARD, FRANKLIN COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. This project will include the rehabilitation of the chemical feed facilities and installation of new on-site generation equipment to produce sodium hypochlorite for use as a disinfectant for drinking water. The Plant Board water treatment plant currently uses gaseous chlorine for disinfection, and this alternate method will improve the safety and efficiency of the treatment process. In particular, this will result in a reduction of the Trihalomethane precursors within the water system, which is necessary for LT2 compliance with the amendments to the Safe Drinking Water Act. A new building will be constructed to house the new generation equipment. The rehabilitation includes renovation of existing facilities in order to separate the various chemicals and provide adequate storage and chemical containment areas. These improvements will reduce the risks to plant personnel and to the community due to the hazardous nature of some of the chemicals used for water treatment. There will be no new customers with this project. The loan will have a term of 20 years and an interest rate of 1.0%. Currently the water treatment plant is at 50% of its designed capacity and they sell water to seven other regional water systems listed in the demographics. There is a projected increase in revenue for 2009 based on a proposed 5.3% rate increase. DOW recommends the project for approval. KIA staff recommends approval with the standard conditions and the following special condition: the proposed 5.3% water rate increase must be approved prior to September 2008 to go into effect no later than June 2009.

Judge Larry Whitaker asked if the rate increase would affect not only the residential customers but also the wholesale customers. Mr. David Billings, Frankfort Electric & Water Plant Board, confirmed that the rate increase would be across the board and affect all customers.

Mr. Gregory Heitzman noted that in the projected year of 2011 the debt coverage ratio of 1.19 drops from 2010's projected ratio of 1.46 and 2009's projected ratio of 1.49. Ms. Williams stated 2011 is when the loan's debt service begins.

Secretary Robert Vance stated his concern that only one year is projected after improvements go into place and he suggested perhaps more years should be added to pick up any trends. Mr. Heitzman stated that historically four years were shown but this project is taking longer than normal for the loan to kick in to

show any depreciation impact or debt service impact. He agreed that the board might need to look at projecting the analysis beyond the standard four years. Mr. Damon Talley added this is the result of his push to get conditional approval early in the process. He stated historically the bids would already be in hand and construction would start much sooner, so you would have adequate future years projected after the project had been put into place. By giving the borrowers the green light early, it is costing the board less information on the years after the project is completed. After a discussion by the board members, Mr. Tim Thomas agreed that KIA staff would research this issue.

Mr. Damon Talley asked if the process of converting from chlorine gas to sodium hypochlorite is the same process that Louisville Water Company is undergoing. Mr. Joe Henry, GRW Engineers, stated it was the same process and Frankfort Electric & Plant Board and Louisville Water Company have had some discussions over common needs. This conversion has become a standard practice since September 11, 2001 and has been a growing process in Southern and Western Kentucky in the last five to ten years.

Mr. Damon Talley moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0 and the condition indicated in the staff recommendation. Mr. Gregory Heitzman seconded, and the motion carried unanimously.

9. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$1,500,000 TO THE CITY OF MANCHESTER, CLAY COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The City of Manchester is requesting a loan to construct a new 3.2 MGD conventional design water treatment plant. The plant will include a flash mixer, flocculator, sedimentation basin, gravity filters, clearwell and chemical feed system. The chemical feed system will have additional feed points for activated carbon, potassium permanganate and filter aid to allow more flexibility in treatment to control disinfection by-products and secondary contaminants. The city is currently running the plant an average of 23 hours a day and they are currently under a water budget. The timely completion of a new water plant is critical to water supply in the area. Security for the water treatment plant will include fencing, video surveillance, alarms, signs, locked gates, and an intercom system. There is a water availability issue in the Clay County area of the State. The City of Manchester qualified as a disadvantaged community therefore the term of the loan is 30 years with an interest rate of 1.0%. DOW recommends the project for approval. KIA staff recommends approval with the standard conditions and the following special conditions: 1) A signed Engineering Procurement Certification must be submitted to Division of Water prior to release of funds; 2) Prior to release of funds, the Division of Water must receive an executed engineering contract(s) for any engineering services to be paid from Fund F loan funds; and 3) Prior to release of construction funds, the Division of Water must receive Letters of Commitment from all other project funding sources.

Mr. Gregory Heitzman inquired if there was a rate increase pending, and because of a delay in construction would there be adequate debt service coverage projected for the future. Ms. Williams stated a rate increase is not required at this point and there is no rate study being conducted at this time. Also, in the assistance agreement a provision is in place to require the city to raise rates if sufficient revenue is not generated to meet the debt service.

Mr. Bob Amato asked about the current status of the project. Mr. Larry Cann, Cann-Tech LLC, stated they were just waiting on the final commitment of funding. About 50% of the funding has been committed, and with the board's commitment today, the funding would increase to 75%. The funding from CDBG and KADD Small Issuer Loan are pending.

Mr. Gregory Heitzman moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0 and the conditions indicated in the staff recommendation. Mr. Bob Amato seconded, and the motion carried unanimously.

Mr. Robert Vance questioned if an Abandoned Mine Land (AML) loan could be used in conjunction with this Fund F loan. Ms. Marlin stated AML funding is taken into consideration, and has been used before, but it would not be applicable for this project.

10. RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

Mr. John Covington, KIA noted that this is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under this resolution. Mr. Covington noted that this resolution was omitted from the December 2007 board meeting so the projects listed include all projects from December 2007 and February 2008.

APPLICANT	FUND	AMOUNT
Paducah McCracken Joint Sewer Agency	A	\$1,600,000
City of Prestonsburg	B	\$2,700,000
City of Glasgow-Broadband	B	\$1,100,000
Bullock Pen Water District	F	\$2,192,700
City of Hardinsburg	F	\$1,999,250
Western Fleming Water District	F	\$2,518,000
Meade County Water District	F	\$1,950,949
City of Berea	F	\$4,000,000
City of Frankfort	F	\$6,841,000
City of Manchester	F	\$1,500,000

Mr. Damon Talley moved to approve the resolution. Mr. George Burgess seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Mr. Tim Thomas presented to the board a handout of the proposed budget for the Kentucky Infrastructure Authority and provided an overview of the budgeting issues. Mr. Thomas noted that in the proposed budget the agency is authorized to issue bonds for the 20% state match for the two federal SRF programs. The budget does not incorporate the board's request for recapitalization of Fund B or the leverage bonding request for Fund A or Fund F. Discussions with the state budget director's office on the leveraging issue revealed concerns relating to the state's overall bond indebtedness and potential impact leveraging might have on the state's overall bond rating. There was also a decrease in KIA's administrative budget that will require some belt tightening.

Mr. Gregory Heitzman expressed concern over the spending down of the available loan pools and, if the loan pools are not restored in some way, the loan programs might actually shut down. Mr. Thomas made assurance the loan programs will not shut down, but would be limited to repayments coming back into the program and the yearly federal cap grant and state match. There is an increase of demand for wastewater infrastructure in Kentucky and more interest in KIA's loan programs. Mr. Thomas gave three reasons for this increase: a) the demand resulting from environmental compliance issues under the Clean Water Act and Safe Drinking Water Act, b) some of the larger municipalities are starting to face aging infrastructure issues to replace the infrastructure or expand capacity, and c) KIA has made improvements to its programs which make them more attractive and more accessible to the borrower.

Mr. Heitzman asked if the same amount of requests are being received as in the past or is there an increase based on the intended use plans coming into the agency. Ms. Donna Marlin, DOW, responded the number of requests have been about the same amount, possibly a little more, but the Division of Water is funding more and different applicants are coming in. She is hoping Kentucky will get a PACE award this year for the Drinking Water SRF from EPA. Mr. Damon Talley asked how much money will be left in Fund F after all the loans are made today. Ms. Marlin stated currently there are more commitments made than money, and there is no reserve. Mr. Tim Thomas explained that basically next year's money is committed for this year, which EPA allows the agency to do. KIA staff has the available amounts for Fund A (approximately \$32,000,000) and Fund F (approximately \$12,000,000) projected for FY 2009 if limited to just the cap grant and state match and the repayment funds. Mr. Heitzman suggested it might be beneficial to have a presentation regarding the potential need of the Commonwealth and then re-educate the board members on the value of leveraging, what other states have done with the revolving pools, and refinancing, to get a better handle on the potential demand. Mr. Thomas stated that it would be valuable for KIA and DOW to gauge program demand regardless of how that demand is best addressed.

Mr. Gary Larimore, Kentucky Rural Water Association, wanted to make a statement regarding the needs of water and wastewater. He stated that leveraging would be worthwhile to explore and most beneficial and asked the board to find out what can or cannot be done on this issue. Mr. Gregory Heitzman added that he endorsed and supported further review to find out what is necessary to advance leveraging in light of the

tight budgets.

Judge Larry Whitaker expressed concern about the issue of storage capacity and if it was adequately addressed or reviewed when considering expansion or construction projects. Mr. Bob Amato, Public Service Commission, and Ms. Donna Marlin, Division of Water, both stated their agencies check to make sure water companies have a minimum of 1-day storage.

III. STATUS REPORT FOR FUNDS

- A. 2003 Coal/Tobacco Development Fund Grants
- B. IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A1, B, B1, C, F, F1

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, March 6, 2008
1024 Capital Center Drive, Suite 340
Frankfort, KY

There being no further business, Mr. Damon Talley moved to adjourn. Mr. Gregory Heitzman seconded and the motion carried unanimously. The February 7, 2008, meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

M. Denise Pitts
M. Denise Pitts, CPA, Secretary
Kentucky Infrastructure Authority

2/10/08
Date

F08-01
CL



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KENTUCKY INFRASTRUCTURE AUTHORITY 2008 MAR 11 P 9:33

Steven L. Beshear
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

KENTUCKY INFRASTRUCTURE
AUTHORITY **Tim Thomas**
Executive Director

February 12, 2008

Vernon Barton, Chairman
Western Fleming County Water District
PO Box 16
Ewing, Kentucky 41039

KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F08-01)

Dear Chairman Barton:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 7, 2008, the Authority approved your loan for Phase III Water System Improvements subject to the conditions stated below. The total cost of the project shall not exceed \$2,568,000 of which the Authority loan shall provide \$2,518,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Western Fleming County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (February 12, 2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$2,518,000.

2. The loan shall bear interest at the rate of 1.00% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 30 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be preformed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.
10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.

Chairman Barton
February 12, 2008
Page 4

12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Sandy Williams
Financial Analyst

Attachments

cc: Molly Ruark, Western Fleming County Water District
Bob Sturdivant, HDR/Quest Engineers
Lola Lyle, Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
Lonnie Campbell, State and Local Debt Office, GOLD

Please sign and return this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.


Accepted
Date

ATTACHMENT A

**Western Fleming County Water District
F08-01**

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	February 7, 2008	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number:	F08-01	
REVOLVING LOAN FUND		WRIS Number	WX21069023	
BORROWER:	Western Fleming County Water District Fleming County			
BRIEF DESCRIPTION:	Phase III Water System Improvements - The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new raw water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements.			
PROJECT FINANCING:		PROJECT BUDGET		
Fund F Loan	\$ 2,518,000	Administrative Expenses	6,886	
HB 380 Grant	50,000	Legal Expenses	5,000	
TOTAL	2,568,000	Engineering Fees	296,114	
		Construction	2,055,000	
		Contingency	200,000	
		Other	5,000	
		TOTAL	\$ 2,568,000	
REPAYMENT		Est. Annual Payment	\$103,655	
	Rate	1.00%	1st Payment	
	Term	30 years	6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	HDR/Quest Engineers		
	Bond Counsel	Peck, Shafer, & Williams		
PROJECT SCHEDULE	Bid Opening:	July 2008		
	Construction Start:	July 2008		
	Construction Stop:	July 2009		
DEBT PER CUSTOMER	Existing:	\$ 1,391.96		
	Proposed:	\$ 2,919.70		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	1,449	\$18.20 (for 4,000 gallons)	
	Additional	0	\$34.44 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for Debt Service	Debt Service	Income after Debt Service	Coverage Ratio
Compiled 2003	225,958	146,202	79,756	1.55
Compiled 2004	288,451	151,143	137,308	1.91
Compiled 2005	298,368	186,233	112,135	1.60
Projected 2006	196,719	166,110	30,609	1.18
Projected 2007	171,474	199,491	-28,017	0.86
Projected 2008	737,384	175,276	562,108	4.21
Projected 2009	743,338	207,417	535,921	3.58
Projected 2010	738,020	245,655	492,365	3.00

Reviewer: Sandy Williams
Date: February 7, 2008
Loan Number: F08-01

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
WESTERN FLEMING COUNTY WATER DISTRICT, FLEMING COUNTY
PROJECT REVIEW
WX21069023**

I. PROJECT DESCRIPTION

The Western Fleming County Water District is requesting \$2,518,000 to construct Phase III Water System Improvements. The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new raw water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements.

II. PROJECT BUDGET

	Total
Administrative Expenses	6,886
Legal Expenses	5,000
Planning	5,000
Eng. Fees - Design	125,370
Engineering Fees	31,344
Eng. Fees - Insp. and Other	124,400
Eng. Fees - Other	10,000
Construction	2,055,000
Contingency	200,000
Other	5,000
Total	2,568,000

III. PROJECT FUNDING

Funding Sources	Amount	%
Fund F Loan	2,518,000	98%
HB 380 Grant	50,000	2%
Total	2,568,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,518,000
Interest Rate	1.00%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 97,360
Administrative Fee (0.25%)	6,295
Total Estimated Annual Debt Service	\$ 103,655

V. PROJECT SCHEDULE

Bid Opening:	July 2008
Construction Start:	July 2008
Construction Stop:	July 2009

VI. RATE STRUCTURE

	Current	Proposed	Total
Residential	1449	0	1449
Commercial	0	0	0
Industrial	0	0	0
	<hr/>		
Rates	1,449	-	1,449

The monthly charge for water utility service is:

Effective Date	8/2002	Pending
First 2,000 gallons (per 1000 gal)	\$11.60	First 1,000 gallons (per 1000 gal) \$15.30
Next 5,000 gallons (per 1000 gal)	3.30	Next 6,000 gallons (per 1000 gal) \$ 6.38
Next 3,000 gallons (per 1000 gal)	2.70	Next 3,000 gallons (per 1000 gal) \$ 5.70
All Over 10,000 gal, per 1000 gal)	1.85	All Over 10,000 gal, per 1000 gal) \$ 4.34
Residential Bill for 4,000 gallons	\$18.20	Residential Bill for 4,000 gallons \$34.44

VII. DEMOGRAPHICS

The Water District serves approximately 1,449 households in Fleming County, population 13,792. In 2000, the County's Median Household Income (MHI) level was \$27,990. The MHI for the Commonwealth is \$33,672. Based on median household income, the project will qualify for the 1% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the utility was obtained from the audited financial statements of the Western Fleming County Water District for the years ended December 31, 2003, 2004, 2005 and 2006.

HISTORICAL

For past four years, the Western Fleming County Water District generated sufficient income to meet plant operating expenses and pay debt service. However, in 2006, revenues from charges for services declined 11% from \$747,716 in 2005 to \$665,228. This trend combined with rising expenses created a cashflow crunch for the system. The decline however, did not go unnoticed by management. The board immediately enlisted the services of the Kentucky Rural Water Association by commissioning a rate study. The rates study has now been completed and a rate case has been filed with the Public Service Commission. The district expects a positive outcome from the PSC any day. The Balance Sheet shows reasonable debt management with debt to equity between 0.7 and 0.5 during the time span. The current ratio is also very strong remaining at a level greater than 10 for all years. The majority of the utility's assets are invested in the plant facilities, a long-term asset. This is matched by having the majority of the liabilities in the long-term category.

PROFORMA

The proforma is based on the following assumptions:

- Revenues for 2007 are projected to remain at 2006 levels.
- Revenues for 2008 are projected to increase 89% based on the proposed rate increase.
- Revenues for 2009 and 2010 are projected to increase 3%.
- O & M expense are projected to increase 5% per year plus the additional costs associated with the project (\$8,600 annually).
- The annual replacement reserve is \$6,500 annually.
- KIA Fund F principal, interest and administrative fees totaling \$103,655 annually beginning in FY 2010.

Based on the aforementioned assumptions, the utility fund shows adequate cashflow to repay the KIA Fund F loan. The water rate increase has been approved by the water district board and has been submitted to the PSC for final approval. Based on these assumptions the Water District is projected to have a 3.0 coverage ratio in 2010.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$6,500. This amount should be added to the replacement account each December 1 until the balance reaches \$65,000 and maintained for the life of the system.

IX. DEBT OBLIGATIONS

<u>Debt Issuance</u>	<u>Outstanding</u>
1969 Serial	\$59,583
1980 FHA	\$314,000
1988 FHA	\$260,000
1997 FHA	\$609,000
2003 FHA	\$484,000
2004 KY Rural Water	\$290,370
Total	\$2,016,953

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
2002 Improvements	HB 502	\$814,672	Grant

XI. CONTACTS

Applicant

Name Western Fleming County Water District
Address PO Box 16
Ewing, Kentucky 41039
County Fleming County
Contact Vernon Barton
Phone 606-267-2120

Engineer

Name Bob Sturdivant
Firm HDR/Quest Engineers
Address 2517 Sir Barton Way
Ewing, Kentucky 41039
Phone 859-223-3755

Applicant Contact

Name Western Fleming County Water District
Address PO Box 16
Ewing, Kentucky 41039
Contact Molly Ruark
Phone 606-267-2120

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

EXHIBIT 1
Western Fleming County Water District
CASHFLOW ANALYSIS

	Audited		Audited		Audited		Audited	Projected	Projected	Projected	Projected
	2003	% Change	2004	% Change	2005	% Change	2006	2007	2008	2009	2010
Revenues											
Charges for Services	606,409	12%	682,065	10%	747,716	-11%	665,228	665,228	1,257,281	1,294,999	1,333,849
Total Revenues	606,409	12%	682,065	10%	747,716	-11%	665,228	665,228	1,257,281	1,294,999	1,333,849
Expenses											
Administrative & Operating Expense	406,219	2%	414,343	14%	474,256	6%	504,892	530,137	556,643	588,776	626,814
Depreciation	115,850		113,649		116,259		151,012	151,012	151,012	215,212	215,212
Replacement Reserve	0		0		0		0	0	0	0	6,500
Total Expenses	522,069	1%	527,992	12%	590,515	11%	655,904	681,149	707,655	803,988	848,526
Net Income Cash	84,340	-83%	154,073	-2%	157,201	94%	9,324	(15,921)	549,625	491,012	485,323
Non-Operating Revenues and Expenses											
Investment Income	25,768		20,729		24,908		36,383	36,383	36,747	37,114	37,485
Other								0	0	0	0
Total Non-Operating Rev & Exp	25,768	-20%	20,729	20%	24,908	46%	36,383	36,383	36,747	37,114	37,485
Add Non-Cash Expenses											
Depreciation	115,850		113,649		116,259		151,012	151,012	151,012	215,212	215,212
Cash Available for Debt Service	225,958		288,451		298,368		196,719	171,474	737,384	743,338	738,020
Debt Service											
Existing Debt	146,202		151,143		186,233		166,110	199,491	168,981	143,000	142,000
New KIA Fund A Loan	0		0		0		0	0	6,295	64,417	103,655
Total Debt Service	146,202		151,143		186,233		166,110	199,491	175,276	207,417	245,655
Income After Debt Service	79,756		137,308		112,135		30,609	(28,017)	562,108	535,921	492,365
Debt Coverage Ratio	1.55		1.91		1.60		1.18	0.86	4.21	3.58	3.00

Western Fleming County Water District
BALANCE SHEETS

Upon Project
Completion

ASSETS	2003	2004	2005	2006	Upon Project Completion
Current Assets					
Cash and Cash Equivalents	1,055,919	1,062,631	724,540	719,861	495,863
Other	9,426	20,442	21,005	20,089	20,089
Receivables	32,946	56,224	61,672	61,927	62,546
Total Current Assets	1,098,291	1,139,297	807,217	801,877	578,499
Restricted Assets					
Restricted Cash and Cash Equivalents	244,744	401,180	337,241	240,909	273,302
Total Restricted Assets	244,744	401,180	337,241	240,909	273,302
Property, Plant and Equipment					
Utility Systems	3,700,828	3,899,898	5,163,448	5,150,778	7,718,778
Total Fixed Assets	3,700,828	3,899,898	5,163,448	5,150,778	7,718,778
Total Assets	5,043,863	5,440,375	6,307,906	6,193,564	8,570,579
LIABILITIES					
Current Liabilities					
Accounts Payable	17,839	14,131	24,621	22,170	22,392
Accrued Liabilities	30,294	33,630	39,008	32,950	32,950
Total Current Liabilities	48,133	47,761	63,629	55,120	55,342
Current Liabilities Payable From Restricted Assets					
Current Maturities of Long Term Debt	28,500	50,400	81,000	106,653	256,328
Total Current Liabilities	28,500	50,400	81,000	106,653	256,328
Long Term Liabilities					
Long Term Debt & Capital Leases, Less Current Portion	1,882,669	2,116,581	2,008,105	1,910,300	3,974,319
Total Long Term Liabilities	1,882,669	2,116,581	2,008,105	1,910,300	3,974,319
Total Liabilities	1,959,302	2,214,742	2,152,734	2,072,073	4,285,989
NET ASSETS					
Invested in Capital Assets, Net	2,928,500	2,987,725	3,843,512	3,858,082	3,908,082
Restricted for:					
Debt Service					0
Capital Projects					0
Depreciation Reserve					0
Operation and Maintenance Reserve					0
Other Purposes					0
Unrestricted (deficit)	156,061	237,908	311,660	263,409	376,508
Total Retained Earnings	3,084,561	3,225,633	4,155,172	4,121,491	4,284,590
Total Liabilities and Equity	5,043,863	5,440,375	6,307,906	6,193,564	8,570,578
Balance Sheet Analysis					
Current Ratio	22.82	23.85	12.69	14.55	10.45
Debt to Equity	0.64	0.69	0.52	0.50	1.00
Working Capital	1,050,158	1,091,536	743,588	746,757	523,157



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

October 2, 2009

Mr. John Covington
Executive Director
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: DWL0841
Western Fleming Water District-3284
Activity ID: FGL20070003
Assistance Agreement
Fund F
Watershed Name: Fleming Creek
Watershed Code (HUC11): 05100101200

Dear Mr. Covington:

The Division of Water hereby certifies that the referenced project is entitled to an Assistance Agreement from the Drinking Water State Revolving Fund, and that the project is in compliance with federal and state requirements. The project is eligible to receive \$2,518,000 for Phase III Water System Improvements.

If you should have any questions or require additional information, please contact Buddy Griffin, Project Administrator, at (502) 564-8158, extension 4971.

Sincerely,

Shafiq S. Amawi, Manager
Water Infrastructure Branch
Division of Water

SSA:bg

C: Peck, Shaffer & Williams
Rob Williams, P.E., HDR Engineers
Vernon Barton, Chairman Western Fleming County Water District

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AUTHORITY
2009 OCT 12 A 11:49

DESIGN LIFE CERTIFICATION EXAMPLE

This certification must be on the engineering consultant's letterhead and signed by the PE:

As required by the Letter of Binding Commitment for the City/County/Water District of WESTERN FLEMING W.D., (wastewater/drinking water) project # 0941, we certify that the facilities designed for this project have an estimated useful life of 20 years.


_____, P.E.
(Consulting Engineer)
ROBERT H. WILLIAMS, KY PE# 23115

10/1/09

Date

F08-01
AA



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

October 12, 2009

Mr. Dirk Bedarff
Peck, Shaffer & Williams
50 East RiverCenter Boulevard, Ste 1150
Covington, Kentucky 41011

RE: Western Fleming County Water District
(F08-01)

Dear Dirk:

Enclosed please find the following information with regard to the above-mentioned projects:

- Distribution List
- Exhibit A
- Certification by the Division of Water
- Executed copy of commitment letter
- Minutes approving the project

All conditions contained within the commitment letter have been met. Please prepare the Assistance Agreement for execution and forward to the Vernon Barton, Chairman of the district.

Sincerely,

A handwritten signature in black ink, appearing to read "Kasi L. White".

Kasi L. White
Financial Analyst

Attachments

Western Fleming County Water District
Distribution List
F08-01

Receiving original Assistance Agreement

1. Vernon Barton
Chairman
Western Fleming County Water District
PO Box 16
Ewing, Kentucky 41039

Receiving copy of Assistance Agreement

2. Kasi White
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

3. Lola Lyle
Water Infrastructure Branch
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

4. Molly Ruark
Office Manager
Western Fleming County Water District
PO Box 16
Ewing, Kentucky 41039

Receiving letter only

5. Bob Sturdivant
HDR/Quest Engineers
2517 Sir Barton Way
Lexington, Kentucky 40509

EXHIBIT A
Western Fleming County Water District
PROJECT SPECIFICS
F08-01

GOVERNMENTAL AGENCY:

Name: Western Fleming County Water District
 PO Box 16
 Ewing, Kentucky 41039

Contact
 Person: Vernon Barton
 606-267-2120

SYSTEM: Drinking Water

PROJECT: Phase III Water System Improvements - The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new raw water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements.

PROJECT BUDGET:

	Fund F Loan	HB 380 Grant	Total
Administrative Expenses	6,886	-	\$ 6,886
Legal Expenses	5,000	-	\$ 5,000
Engineering Fees	246,114	50,000	\$ 296,114
Construction	2,055,000	-	\$ 2,055,000
Contingency	200,000	-	\$ 200,000
Other	5,000	-	\$ 5,000
Total	2,518,000	50,000	\$ 2,568,000

FUNDING SOURCES:

	Amount	%
Fund F Loan	\$ 2,518,000	98%
HB 380 Grant	\$ 50,000	2%
Total	\$ 2,568,000	100%

KIA DEBT SERVICE:

Construction Loan	\$	2,518,000
Interest Rate		1.00%
Loan Term (Years)		30
Estimated Annual Debt Service	\$	97,360
Administrative Fee (0.25%)	\$	6,295
Total Estimated Annual Debt Service	\$	103,655

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 6/1/10).

Full principal and interest payments will commence within one year of initiation of operation (estimated 6/01/11).

REPLACEMENT RESERVE ACCOUNT:	\$	6,500	ANNUAL AMOUNT
	\$	65,000	TOTAL AMOUNT

The annual replacement cost is \$6,500. This amount should be added to the replacement account each December 1 until the balance reaches \$65,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>
1969 Serial	\$59,583
1980 FHA	\$314,000
1988 FHA	\$260,000
1997 FHA	\$609,000
2003 FHA	\$484,000
2004 KY Rural Water	\$290,370
Total	<u>\$2,016,953</u>

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	_____
Death or Personal Injury (per occurrence)	_____
Property Damage on System	_____



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

October 2, 2009

Mr. John Covington
Executive Director
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: DWL0841
Western Fleming Water District-3284
Activity ID: FGL20070003
Assistance Agreement
Fund F
Watershed Name: Fleming Creek
Watershed Code (HUC11): 05100101200

Dear Mr. Covington:

The Division of Water hereby certifies that the referenced project is entitled to an Assistance Agreement from the Drinking Water State Revolving Fund, and that the project is in compliance with federal and state requirements. The project is eligible to receive \$2,518,000 for Phase III Water System Improvements.

If you should have any questions or require additional information, please contact Buddy Griffin, Project Administrator, at (502) 564-8158, extension 4971.

Sincerely,

Shafiq S. Amawi, Manager
Water Infrastructure Branch
Division of Water

SSA:bg

C: Peck, Shaffer & Williams
Rob Williams, P.E., HDR Engineers
Vernon Barton, Chairman Western Fleming County Water District

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RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY

F08-01
CL



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KENTUCKY INFRASTRUCTURE AUTHORITY 2008 MAR 11 P 9:33

Steven L. Beshear
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

KENTUCKY INFRASTRUCTURE
AUTHORITY **Tim Thomas**
Executive Director

February 12, 2008

Vernon Barton, Chairman
Western Fleming County Water District
PO Box 16
Ewing, Kentucky 41039

KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F08-01)

Dear Chairman Barton:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 7, 2008, the Authority approved your loan for Phase III Water System Improvements subject to the conditions stated below. The total cost of the project shall not exceed \$2,568,000 of which the Authority loan shall provide \$2,518,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Western Fleming County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (February 12, 2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$2,518,000.

2. The loan shall bear interest at the rate of 1.00% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 30 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be preformed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.
10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.

Chairman Barton
February 12, 2008
Page 4

12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

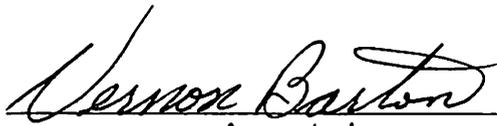


Sandy Williams
Financial Analyst

Attachments

cc: Molly Ruark, Western Fleming County Water District
Bob Sturdivant, HDR/Quest Engineers
Lola Lyle, Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
Lonnie Campbell, State and Local Debt Office, GOLD

Please sign and return this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.


Accepted

3/6/08
Date

ATTACHMENT A

**Western Fleming County Water District
F08-01**

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	February 7, 2008
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number:	F08-01
REVOLVING LOAN FUND		WRIS Number	WX21069023
BORROWER:	Western Fleming County Water District Fleming County		
BRIEF DESCRIPTION:	Phase III Water System Improvements - The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new raw water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements.		
PROJECT FINANCING:	PROJECT BUDGET		
Fund F Loan	\$ 2,518,000	Administrative Expenses	6,886
HB 380 Grant	50,000	Legal Expenses	5,000
TOTAL	2,568,000	Engineering Fees	296,114
		Construction	2,055,000
		Contingency	200,000
		Other	5,000
		TOTAL	\$ 2,568,000
REPAYMENT		Est. Annual	
	Rate	1.00%	Payment \$103,655
	Term	30 years	1st Payment 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	HDR/Quest Engineers	
	Bond Counsel	Peck, Shafer, & Williams	
PROJECT SCHEDULE			
	Bid Opening:	July 2008	
	Construction Start:	July 2008	
	Construction Stop:	July 2009	
DEBT PER CUSTOMER	Existing:	\$ 1,391.96	
	Proposed:	\$ 2,919.70	
OTHER DEBT	See Attached		
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached		
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	1,449	\$18.20 (for 4,000 gallons)
	Additional	0	\$34.44 (for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.		
CASHFLOW	Cash Available for	Income after Debt	
	Debt Service	Debt Service	Service
			Coverage Ratio
Compiled 2003	225,958	146,202	79,756 1.55
Compiled 2004	288,451	151,143	137,308 1.91
Compiled 2005	298,368	186,233	112,135 1.60
Projected 2006	196,719	166,110	30,609 1.18
Projected 2007	171,474	199,491	-28,017 0.86
Projected 2008	737,384	175,276	562,108 4.21
Projected 2009	743,338	207,417	535,921 3.58
Projected 2010	738,020	245,655	492,365 3.00

Reviewer: Sandy Williams
Date: February 7, 2008
Loan Number: F08-01

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
WESTERN FLEMING COUNTY WATER DISTRICT, FLEMING COUNTY
PROJECT REVIEW
WX21069023**

I. PROJECT DESCRIPTION

The Western Fleming County Water District is requesting \$2,518,000 to construct Phase III Water System Improvements. The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new raw water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements.

II. PROJECT BUDGET

	Total
Administrative Expenses	6,886
Legal Expenses	5,000
Planning	5,000
Eng. Fees - Design	125,370
Engineering Fees	31,344
Eng. Fees - Insp. and Other	124,400
Eng. Fees - Other	10,000
Construction	2,055,000
Contingency	200,000
Other	5,000
Total	2,568,000

III. PROJECT FUNDING

Funding Sources	Amount	%
Fund F Loan	2,518,000	98%
HB 380 Grant	50,000	2%
Total	2,568,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,518,000
Interest Rate	1.00%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 97,360
Administrative Fee (0.25%)	6,295
Total Estimated Annual Debt Service	\$ 103,655

V. PROJECT SCHEDULE

Bid Opening:	July 2008
Construction Start:	July 2008
Construction Stop:	July 2009

VI. RATE STRUCTURE

	Current	Proposed	Total
Residential	1449	0	1449
Commercial	0	0	0
Industrial	0	0	0
	<hr/>	<hr/>	<hr/>
Rates	1,449	-	1,449

The monthly charge for water utility service is:

Effective Date	8/2002	Pending
First 2,000 gallons (per 1000 gal)	\$11.60	First 1,000 gallons (per 1000 gal) \$15.30
Next 5,000 gallons (per 1000 gal)	3.30	Next 6,000 gallons (per 1000 gal) \$ 6.38
Next 3,000 gallons (per 1000 gal)	2.70	Next 3,000 gallons (per 1000 gal) \$ 5.70
All Over 10,000 gal, per 1000 gal)	1.85	All Over 10,000 gal, per 1000 gal) \$ 4.34
Residential Bill for 4,000 gallons	\$18.20	Residential Bill for 4,000 gallons \$34.44

VII. DEMOGRAPHICS

The Water District serves approximately 1,449 households in Fleming County, population 13,792. In 2000, the County's Median Household Income (MHI) level was \$27,990. The MHI for the Commonwealth is \$33,672. Based on median household income, the project will qualify for the 1% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the utility was obtained from the audited financial statements of the Western Fleming County Water District for the years ended December 31, 2003, 2004, 2005 and 2006.

HISTORICAL

For past four years, the Western Fleming County Water District generated sufficient income to meet plant operating expenses and pay debt service. However, in 2006, revenues from charges for services declined 11% from \$747,716 in 2005 to \$665,228. This trend combined with rising expenses created a cashflow crunch for the system. The decline however, did not go unnoticed by management. The board immediately enlisted the services of the Kentucky Rural Water Association by commissioning a rate study. The rates study has now been completed and a rate case has been filed with the Public Service Commission. The district expects a positive outcome from the PSC any day. The Balance Sheet shows reasonable debt management with debt to equity between 0.7 and 0.5 during the time span. The current ratio is also very strong remaining at a level greater than 10 for all years. The majority of the utility's assets are invested in the plant facilities, a long-term asset. This is matched by having the majority of the liabilities in the long-term category.

PROFORMA

The proforma is based on the following assumptions:

- Revenues for 2007 are projected to remain at 2006 levels.
- Revenues for 2008 are projected to increase 89% based on the proposed rate increase.
- Revenues for 2009 and 2010 are projected to increase 3%.
- O & M expense are projected to increase 5% per year plus the additional costs associated with the project (\$8,600 annually).
- The annual replacement reserve is \$6,500 annually.
- KIA Fund F principal, interest and administrative fees totaling \$103,655 annually beginning in FY 2010.

Based on the aforementioned assumptions, the utility fund shows adequate cashflow to repay the KIA Fund F loan. The water rate increase has been approved by the water district board and has been submitted to the PSC for final approval. Based on these assumptions the Water District is projected to have a 3.0 coverage ratio in 2010.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$6,500. This amount should be added to the replacement account each December 1 until the balance reaches \$65,000 and maintained for the life of the system.

IX. DEBT OBLIGATIONS

<u>Debt Issuance</u>	<u>Outstanding</u>
1969 Serial	\$59,583
1980 FHA	\$314,000
1988 FHA	\$260,000
1997 FHA	\$609,000
2003 FHA	\$484,000
2004 KY Rural Water	\$290,370
Total	\$2,016,953

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
2002 Improvements	HB 502	\$814,672	Grant

XI. CONTACTS

Applicant

Name Western Fleming County Water District
Address PO Box 16
Ewing, Kentucky 41039
County Fleming County
Contact Vernon Barton
Phone 606-267-2120

Engineer

Name Bob Sturdivant
Firm HDR/Quest Engineers
Address 2517 Sir Barton Way
Ewing, Kentucky 41039
Phone 859-223-3755

Applicant Contact

Name Western Fleming County Water District
Address PO Box 16
Ewing, Kentucky 41039
Contact Molly Ruark
Phone 606-267-2120

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

EXHIBIT 1
Western Fleming County Water District
CASHFLOW ANALYSIS

	Audited		Audited		Audited		Audited	Projected	Projected	Projected	Projected
	2003	% Change	2004	% Change	2005	% Change	2006	2007	2008	2009	2010
Revenues											
Charges for Services	606,409	12%	682,065	10%	747,716	-11%	665,228	665,228	1,257,281	1,294,999	1,333,849
Total Revenues	606,409	12%	682,065	10%	747,716	-11%	665,228	665,228	1,257,281	1,294,999	1,333,849
Expenses											
Administrative & Operating Expense	406,219	2%	414,343	14%	474,256	6%	504,892	530,137	556,643	588,776	626,814
Depreciation	115,850		113,649		116,259		151,012	151,012	151,012	215,212	215,212
Replacement Reserve	0		0		0		0	0	0	0	6,500
Total Expenses	522,069	1%	527,992	12%	590,515	11%	655,904	681,149	707,655	803,988	848,526
Net Income Cash	84,340	-83%	154,073	-2%	157,201	94%	9,324	(15,921)	549,625	491,012	485,323
Non-Operating Revenues and Expenses											
Investment Income	25,768		20,729		24,908		36,383	36,383	36,747	37,114	37,485
Other								0	0	0	0
Total Non-Operating Rev & Exp	25,768	-20%	20,729	20%	24,908	46%	36,383	36,383	36,747	37,114	37,485
Add Non-Cash Expenses											
Depreciation	115,850		113,649		116,259		151,012	151,012	151,012	215,212	215,212
Cash Available for Debt Service	225,958		288,451		298,368		196,719	171,474	737,384	743,338	738,020
Debt Service											
Existing Debt	146,202		151,143		186,233		166,110	199,491	168,981	143,000	142,000
New KIA Fund A Loan	0		0		0		0	0	6,295	64,417	103,655
Total Debt Service	146,202		151,143		186,233		166,110	199,491	175,276	207,417	245,655
Income After Debt Service	79,756		137,308		112,135		30,609	(28,017)	562,108	535,921	492,365
Debt Coverage Ratio	1.55		1.91		1.60		1.18	0.86	4.21	3.58	3.00

**Western Fleming County Water District
BALANCE SHEETS**

ASSETS	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Upon Project Completion</u>
Current Assets					
Cash and Cash Equivalents	1,055,919	1,062,631	724,540	719,861	495,863
Other	9,426	20,442	21,005	20,089	20,089
Receivables	32,946	56,224	61,672	61,927	62,546
Total Current Assets	1,098,291	1,139,297	807,217	801,877	578,499
Restricted Assets					
Restricted Cash and Cash Equivalents	244,744	401,180	337,241	240,909	273,302
Total Restricted Assets	244,744	401,180	337,241	240,909	273,302
Property, Plant and Equipment					
Utility Systems	3,700,828	3,899,898	5,163,448	5,150,778	7,718,778
Total Fixed Assets	3,700,828	3,899,898	5,163,448	5,150,778	7,718,778
Total Assets	5,043,863	5,440,375	6,307,906	6,193,564	8,570,579
LIABILITIES					
Current Liabilities					
Accounts Payable	17,839	14,131	24,621	22,170	22,392
Accrued Liabilities	30,294	33,630	39,008	32,950	32,950
Total Current Liabilities	48,133	47,761	63,629	55,120	55,342
Current Liabilities Payable From Restricted Assets					
Current Maturities of Long Term Debt	28,500	50,400	81,000	106,653	256,328
Total Current Liabilities	28,500	50,400	81,000	106,653	256,328
Long Term Liabilities					
Long Term Debt & Capital Leases, Less Current Portion	1,882,669	2,116,581	2,008,105	1,910,300	3,974,319
Total Long Term Liabilities	1,882,669	2,116,581	2,008,105	1,910,300	3,974,319
Total Liabilities	1,959,302	2,214,742	2,152,734	2,072,073	4,285,989
NET ASSETS					
Invested in Capital Assets, Net	2,928,500	2,987,725	3,843,512	3,858,082	3,908,082
Restricted for:					
Debt Service					0
Capital Projects					0
Depreciation Reserve					0
Operation and Maintenance Reserve					0
Other Purposes					0
Unrestricted (deficit)	156,061	237,908	311,660	263,409	376,508
Total Retained Earnings	3,084,561	3,225,633	4,155,172	4,121,491	4,284,590
Total Liabilities and Equity	5,043,863	5,440,375	6,307,906	6,193,564	8,570,578
Balance Sheet Analysis					
Current Ratio	22.82	23.85	12.69	14.55	10.45
Debt to Equity	0.64	0.69	0.52	0.50	1.00
Working Capital	1,050,158	1,091,536	743,588	746,757	523,157

**KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board**

**Meeting Date/Location: February 7, 2008 – 1:30 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort**

Members present:

Ms. Terri Fugate, Finance and Administration Cabinet
(proxy for Secretary Jonathan Miller, FAC)
Secretary Robert D. Vance, Environmental and Public Protection Cabinet
Mr. George Burgess, Economic Development Cabinet
(proxy for Secretary John Hindman, EDC)
Mr. Bob Amato, Deputy Executive Director, Public Service Commission
(proxy for Ms. Beth O'Donnell, Executive Director, PSC)
Mr. James L. Cauley, Acting Commissioner, Governor's Office for Local Development
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Gregory Heitzman, representing the American Water Works Association
Mr. Lyn Bailey, Mayor, City of Cadiz, representing the Kentucky League of Cities
Mr. Larry B. Whitaker, McLean County Judge/Executive, representing the Kentucky
Association of Counties

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies

Guests:

Ms. Kristi Culpepper, Legislative Research Commission
Ms. Lola Lyle, Division of Water
Ms. Donna Marlin, Division of Water
Mr. Bob Sturdivant, HDR/Quest Engineers
Mr. Vernon Barton, Western Fleming Water District
Mr. William Hunter, Western Fleming Water District
Mr. William Ray, Glasgow Electric Plant Board
Mr. Donald Blackburn, Berea Utilities
Mr. Ron McMaine, Bell Engineering
Mr. John Hodges, Paducah McCracken Joint Sewer Agency
Ms. Amy Neihoff, Paducah McCracken Joint Sewer Agency
Mr. Larry T. Ingram, Western Fleming Water District
Mr. Brent Tippey, HDR/Quest Engineers
Mr. Tony Harover, Harover Engineering and Design
Mr. David Billings, Frankfort Plant Board
Ms. Sharmista Dutta, Frankfort Plant Board
Ms. Vicki Goins, Governors Office of Policy and Management
Mr. Marty Nemes, Kentucky League of Cities
Mr. Joe Henry, GRW, Inc.

Mr. Vince Guenthner, Louisville Water Company
Mr. Kevin Brian, HDR/Quest Engineers
Mr. Shafiq Amawi, DOW
Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Matt Sawyers, GOLD
Mr. Larry Cann, Cann-Tech Engineers

PROCEEDINGS

Vice Chair Lyn Bailey called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. He noted that a quorum was present and that the press had been notified regarding the meeting. Vice Chair Bailey asked all board members and guests to introduce themselves. He also welcomed and congratulated Secretary Robert D. Vance on his appointment to the EPPC and Mr. James L. Cauley as Acting Commissioner for GOLD.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Full Board Meeting of December 6, 2007

Mr. Damon Tally moved to approve the minutes of the December 6, 2007 meeting. Mr. Bob Amato seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ELECTION OF CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY

Vice Chair Bailey opened the floor for nominations.

Secretary Robert Vance moved to nominate Mr. James L. Cauley, Acting Commissioner of GOLD, for the position of Board Chair. Mr. Bob Amato seconded the nomination. There being no further nominations, the motion carried unanimously.

Vice Chair Bailey requested a motion that Mr. Cauley be elected by acclamation.

Secretary Vance moved to elect Mr. Cauley by acclamation. Mr. Amato seconded and the motion carried unanimously.

Vice Chair Bailey continued to conduct the remainder of the meeting.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND B INTEREST RATES FOR THE PERIOD JANUARY 1, 2008 THROUGH MARCH 31, 2008

Mr. John Covington, KIA, introduced the Resolution establishing the Fund B

interest rates. The interest rate for all KIA Fund B loans approved by the Authority during the period January 1, 2008 through March 31, 2008 shall be as follows: the above median interest rate will be 2.6% and the below median interest rate will be 0.6%.

Mr. Amato asked about previous interest rates. Mr. Covington directed the board to the handout, "Infrastructure Revolving Fund (Fund B) Interest Rate History, Fiscal Years 2003 through 2008, July 1, 2002 through June 30, 2008".

Mr. Damon Talley moved to adopt the Resolution setting the Fund B Rate. Mr. George Burgess seconded, and the motion carried unanimously.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND A LOAN IN THE AMOUNT OF \$1,600,000 TO THE PADUCAH MCCRACKEN JOINT SEWER AGENCY, MCCRACKEN COUNTY, KENTUCKY

Mr. John Covington, KIA, and Mr. Shafiq Amawi, DOW, presented the project to the board. The project consists of construction of an additional secondary clarifier, primary flow splitting box, new Return Activated Sludge pump station and other various hydraulic improvements within the Paducah Waste Water Treatment Plant increasing the hydraulic capacity from 9 to 18 MGD, reducing combined sewer overflows at the Paducah Waste Water Treatment Plant. Also construction of a bar screen building at the Paducah Waste Water Treatment Plant. The term of the loan is 20 years with an interest rate of 1.0% due to the Paducah McCracken Joint Sewer Agency qualifying as a multi-jurisdictional provider of service thus meeting the definition of a regional project. There is not a rate increase associated with this project and a uniform rate structure for all consumers is projected for the second half of 2009. The Paducah McCracken Joint Sewer Agency has three KIA loans that will be maturing in 2008 which will therefore reduce their debt service. The utility shows adequate cashflow to repay the KIA Fund A loan. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman moved to approve the resolution. Mr. Bob Amato seconded, and the motion carried unanimously.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A INFRASTRUCTURE REVOLVING FUND B LOAN IN THE AMOUNT OF \$1,100,000 TO GLASGOW ELECTRIC PLANT BOARD, BARREN COUNTY, KENTUCKY

Mr. John Covington, KIA, presented the project to the board. The Electric Plant Board of the City of Glasgow will contract with Tennessee Valley Authority to install a 24-count fiber optic cable to connect Glasgow's broadband network to Bowling Green's broadband network. This will increase the connection speed from a DS3 (45 Mbps) to an OC3 (155 Mbps). The term of the loan is 20 years with an interest rate of 0.6%. Glasgow was an early adaptor in providing Internet

service and has been recognized nationally as a leader in providing municipal Internet service. KIA recommends the project for approval with the standard conditions.

Mr. Gregory Heitzman asked for clarification of the advantages of the project. Mr. Covington explained it is a cost savings, it increases the connection speed and creates a connection between Glasgow and Bowling Green.

Judge Larry Whitaker noted it was remarkable, according to demographics presented, that such a large number of households in Glasgow are connected to broadband service. He also inquired if AT&T and Windstream were available to provide an OC3 connection speed. A representative from Glasgow Electric Plant Board stated they are available but the difference between the market rate that AT&T and Windstream would charge and the actual cost of building it themselves is dramatic.

Mr. George Burgess moved to approve the resolution. Judge Larry Whitaker seconded, and the motion carried unanimously.

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$2,518,000 TO THE WESTERN FLEMING COUNTY WATER DISTRICT, FLEMING COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The Western Fleming County Water District is requesting a loan to construct Phase III Water System Improvements. The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements. DOW encourages Western Fleming County Water District to strive to meet the area-wide optimization program community goals to improve public health. The term of the loan is for 30 years with an interest rate of 1.0%. In 2006, due to a cashflow crunch, the Western Fleming County Water District commissioned the Kentucky Rural Water Association to do a rate study. The rate study has been completed, has been filed with the Public Service Commission and the district expects a positive outcome very soon. The rate increase will be on average about 89%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Damon Talley asked the reason for a 30 year repayment term instead of the 20 year term. Ms. Williams explained a Fund F borrower could qualify for a 30 year repayment term if they are identified as a disadvantaged community. KIA has defined that if the District meets the non-standard interest rate conditions from the median household income they also meet the definition of disadvantaged, and the District requested the term. Mr. Talley also asked if the Western Fleming Water District is a member of the Greater Fleming County Regional Water Commission and was this project more feasible than buying more water from the Commission. A representative from the Western Fleming

County Water District affirmed they are a member of the Commission and the Commission's main transmission is on the opposite end of the county from where they are located.

Mr. Gregory Heitzman noted and Ms. Williams confirmed the reason the debt coverage ratio projected in 2007 is .86 and the projected debt coverage ratio in 2008 increases to 4.21 is based on the assumption that the pending Public Service Commission rate increase is approved. Mr. Heitzman expressed concern that if the rate increase were not approved then the additional debt of this loan would contribute to a debt coverage ratio of less than 1. Ms. Williams said that was true, but one of KIA's standard conditions is, if a rate increase needed to be approved by the Public Service Commission, that approval would be necessary before an Assistance Agreement is entered into. Therefore, if the rate increase was not approved and the debt coverage ratio was less than 1, this project would have to be brought before the board again. Mr. Bob Amato noted and Ms. Williams confirmed there is clause in the Assistance Agreement stating should the revenues decrease and not be sufficient to pay the debt service, KIA would require the borrower to increase rates sufficient to cover the debt service.

Ms. Terri Fugate asked if there was a reason for the decline in revenues from 2005 to 2006. A representative from the Western Fleming County Water District stated a possible decline in the revenues could have been that 2005 was a dry year and 2006 was a very wet year; and during that time there was an increased effort to reduce leakage.

Mr. Gregory Heitzman moved to approve the resolution. Mr. James Cauley seconded, and the motion carried unanimously with Mr. Bob Amato abstaining.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$1,950,949 TO THE MEADE COUNTY WATER DISTRICT, MEADE COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The Meade County Water District is requesting a loan to construct Phase VII Water System Improvements. This project will extend approximately 97,000 linear feet of 6 and 8-inch water mains to serve 240 new customers along eight county and state roads (KY 2727, KY 144, KY 79, KY 428, Fred Fackler Road, Hog Wallow Road, Knotts Road, and Rabbit Run Road). Also included is the construction of a new 500,000 gallon elevated water storage tank. The project is needed to provide potable water to 240 potential customers that are currently unserved. Many of these potential customers are currently utilizing water wells and cisterns that do not have adequate disinfection systems. These potential health hazards will be eliminated by this project. The term of the loan is 20 years with an interest rate of 3.0%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman asked for a clarification if Fund F loans could be used on extensions for an unserved need. Ms. Marlin answered that Fund F cannot be

used for growth purposes only but, if there is a demonstrated need, they can include growth into the project and must show how they comply with the Safe Drinking Water Act. The pressure, distribution and tank turnover issues are enough for this project to qualify. Also, the existing homes they are picking up are not new subdivisions and they have cistern and disinfection issues associated with the water wells.

Mr. Damon Talley moved to approve the resolution. Mr. George Burgess seconded, and the motion carried unanimously with Mr. Bob Amato abstaining.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$4,000,000 TO THE CITY OF BEREA, MADISON COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The City of Berea is requesting a loan to construct upgrades to the water treatment plant and the raw water intake. The major components of this project are a dissolved air flotation system to help meet total organic carbon (TOC) removal requirements, new filters, upgraded chemical feed, new high service pumps, new raw water pumps, new sludge treatment system, and replacement mains connecting Cowbell pump station with Cowbell reservoir (constructed fall 2007), and a replacement main connecting an existing 16" main and B Lake (construction fall 2007). A new low-level clearwell will be added to assist in meeting CT values when feeding chloramines. The mains and pump station improvements will allow the raw water system to meet demands. This project will enhance the quality of the water to the customers in the system by allowing it to meet the regulations on TOC removal. The sludge treatment process will remove a higher concentration of solids from plant wastewater, improving the quality of the water returned to the receiving stream. The loan has a term of 20 years with an interest rate of 1.0%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman asked if the current water treatment plan is a 4MGD plant. Ms. Marlin confirmed it is a 4MGD plant and will remain the same. Mr. Heitzman noted that according to the Cashflow Analysis of the Utility System the debt coverage ratio dropped in the projected years 2007 to 2011. He expressed concern that this was a rapid decline in the debt service coverage level over a 4-year period and noted, if projections were extended one more year, the ratio would drop less than 1. He wanted to know if there were any conditions set for stabilizing the drop or for any rate increases. Donald Blackburn, City of Berea Municipal Utilities, stated they have not had a rate increase since 1990. A rate study has recently been completed and approved by their finance committee and the utility will be addressing that issue in the very near future. Ms. Williams stated one reason for the sharp decline is in 2009 interest will be due on the Fund F loan, in 2010 the city will have to make half a year's payment, and then in 2011, the city will make the full principal and interest payment. As this debt service requirement increases, the debt coverage ratio will decrease. Ms. Williams stated KIA does not have a required rate increase but there is a

provision in the assistance agreement that if the utility is not able to meet their operation and maintenance requirements, as well as their debt service requirements, then they must increase their rate.

Mr. Gregory Heitzman moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0. Mr. George Burgess seconded, and the motion carried unanimously.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$6,841,000 TO THE FRANKFORT ELECTRIC & WATER PLANT BOARD, FRANKLIN COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. This project will include the rehabilitation of the chemical feed facilities and installation of new on-site generation equipment to produce sodium hypochlorite for use as a disinfectant for drinking water. The Plant Board water treatment plant currently uses gaseous chlorine for disinfection, and this alternate method will improve the safety and efficiency of the treatment process. In particular, this will result in a reduction of the Trihalomethane precursors within the water system, which is necessary for LT2 compliance with the amendments to the Safe Drinking Water Act. A new building will be constructed to house the new generation equipment. The rehabilitation includes renovation of existing facilities in order to separate the various chemicals and provide adequate storage and chemical containment areas. These improvements will reduce the risks to plant personnel and to the community due to the hazardous nature of some of the chemicals used for water treatment. There will be no new customers with this project. The loan will have a term of 20 years and an interest rate of 1.0%. Currently the water treatment plant is at 50% of its designed capacity and they sell water to seven other regional water systems listed in the demographics. There is a projected increase in revenue for 2009 based on a proposed 5.3% rate increase. DOW recommends the project for approval. KIA staff recommends approval with the standard conditions and the following special condition: the proposed 5.3% water rate increase must be approved prior to September 2008 to go into effect no later than June 2009.

Judge Larry Whitaker asked if the rate increase would affect not only the residential customers but also the wholesale customers. Mr. David Billings, Frankfort Electric & Water Plant Board, confirmed that the rate increase would be across the board and affect all customers.

Mr. Gregory Heitzman noted that in the projected year of 2011 the debt coverage ratio of 1.19 drops from 2010's projected ratio of 1.46 and 2009's projected ratio of 1.49. Ms. Williams stated 2011 is when the loan's debt service begins.

Secretary Robert Vance stated his concern that only one year is projected after improvements go into place and he suggested perhaps more years should be added to pick up any trends. Mr. Heitzman stated that historically four years were shown but this project is taking longer than normal for the loan to kick in to

show any depreciation impact or debt service impact. He agreed that the board might need to look at projecting the analysis beyond the standard four years. Mr. Damon Talley added this is the result of his push to get conditional approval early in the process. He stated historically the bids would already be in hand and construction would start much sooner, so you would have adequate future years projected after the project had been put into place. By giving the borrowers the green light early, it is costing the board less information on the years after the project is completed. After a discussion by the board members, Mr. Tim Thomas agreed that KIA staff would research this issue.

Mr. Damon Talley asked if the process of converting from chlorine gas to sodium hypochlorite is the same process that Louisville Water Company is undergoing. Mr. Joe Henry, GRW Engineers, stated it was the same process and Frankfort Electric & Plant Board and Louisville Water Company have had some discussions over common needs. This conversion has become a standard practice since September 11, 2001 and has been a growing process in Southern and Western Kentucky in the last five to ten years.

Mr. Damon Talley moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0 and the condition indicated in the staff recommendation. Mr. Gregory Heitzman seconded, and the motion carried unanimously.

9. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND F LOAN IN THE AMOUNT OF \$1,500,000 TO THE CITY OF MANCHESTER, CLAY COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The City of Manchester is requesting a loan to construct a new 3.2 MGD conventional design water treatment plant. The plant will include a flash mixer, flocculator, sedimentation basin, gravity filters, clearwell and chemical feed system. The chemical feed system will have additional feed points for activated carbon, potassium permanganate and filter aid to allow more flexibility in treatment to control disinfection by-products and secondary contaminants. The city is currently running the plant an average of 23 hours a day and they are currently under a water budget. The timely completion of a new water plant is critical to water supply in the area. Security for the water treatment plant will include fencing, video surveillance, alarms, signs, locked gates, and an intercom system. There is a water availability issue in the Clay County area of the State. The City of Manchester qualified as a disadvantaged community therefore the term of the loan is 30 years with an interest rate of 1.0%. DOW recommends the project for approval. KIA staff recommends approval with the standard conditions and the following special conditions: 1) A signed Engineering Procurement Certification must be submitted to Division of Water prior to release of funds; 2) Prior to release of funds, the Division of Water must receive an executed engineering contract(s) for any engineering services to be paid from Fund F loan funds; and 3) Prior to release of construction funds, the Division of Water must receive Letters of Commitment from all other project funding sources.

Mr. Gregory Heitzman inquired if there was a rate increase pending, and because of a delay in construction would there be adequate debt service coverage projected for the future. Ms. Williams stated a rate increase is not required at this point and there is no rate study being conducted at this time. Also, in the assistance agreement a provision is in place to require the city to raise rates if sufficient revenue is not generated to meet the debt service.

Mr. Bob Amato asked about the current status of the project. Mr. Larry Cann, Cann-Tech LLC, stated they were just waiting on the final commitment of funding. About 50% of the funding has been committed, and with the board's commitment today, the funding would increase to 75%. The funding from CDBG and KADD Small Issuer Loan are pending.

Mr. Gregory Heitzman moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0 and the conditions indicated in the staff recommendation. Mr. Bob Amato seconded, and the motion carried unanimously.

Mr. Robert Vance questioned if an Abandoned Mine Land (AML) loan could be used in conjunction with this Fund F loan. Ms. Marlin stated AML funding is taken into consideration, and has been used before, but it would not be applicable for this project.

10. RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

Mr. John Covington, KIA noted that this is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under this resolution. Mr. Covington noted that this resolution was omitted from the December 2007 board meeting so the projects listed include all projects from December 2007 and February 2008.

APPLICANT	FUND	AMOUNT
Paducah McCracken Joint Sewer Agency	A	\$1,600,000
City of Prestonsburg	B	\$2,700,000
City of Glasgow-Broadband	B	\$1,100,000
Bullock Pen Water District	F	\$2,192,700
City of Hardinsburg	F	\$1,999,250
Western Fleming Water District	F	\$2,518,000
Meade County Water District	F	\$1,950,949
City of Berea	F	\$4,000,000
City of Frankfort	F	\$6,841,000
City of Manchester	F	\$1,500,000

Mr. Damon Talley moved to approve the resolution. Mr. George Burgess seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Mr. Tim Thomas presented to the board a handout of the proposed budget for the Kentucky Infrastructure Authority and provided an overview of the budgeting issues. Mr. Thomas noted that in the proposed budget the agency is authorized to issue bonds for the 20% state match for the two federal SRF programs. The budget does not incorporate the board's request for recapitalization of Fund B or the leverage bonding request for Fund A or Fund F. Discussions with the state budget director's office on the leveraging issue revealed concerns relating to the state's overall bond indebtedness and potential impact leveraging might have on the state's overall bond rating. There was also a decrease in KIA's administrative budget that will require some belt tightening.

Mr. Gregory Heitzman expressed concern over the spending down of the available loan pools and, if the loan pools are not restored in some way, the loan programs might actually shut down. Mr. Thomas made assurance the loan programs will not shut down, but would be limited to repayments coming back into the program and the yearly federal cap grant and state match. There is an increase of demand for wastewater infrastructure in Kentucky and more interest in KIA's loan programs. Mr. Thomas gave three reasons for this increase: a) the demand resulting from environmental compliance issues under the Clean Water Act and Safe Drinking Water Act, b) some of the larger municipalities are starting to face aging infrastructure issues to replace the infrastructure or expand capacity, and c) KIA has made improvements to its programs which make them more attractive and more accessible to the borrower.

Mr. Heitzman asked if the same amount of requests are being received as in the past or is there an increase based on the intended use plans coming into the agency. Ms. Donna Marlin, DOW, responded the number of requests have been about the same amount, possibly a little more, but the Division of Water is funding more and different applicants are coming in. She is hoping Kentucky will get a PACE award this year for the Drinking Water SRF from EPA. Mr. Damon Tally asked how much money will be left in Fund F after all the loans are made today. Ms. Marlin stated currently there are more commitments made than money, and there is no reserve. Mr. Tim Thomas explained that basically next year's money is committed for this year, which EPA allows the agency to do. KIA staff has the available amounts for Fund A (approximately \$32,000,000) and Fund F (approximately \$12,000,000) projected for FY 2009 if limited to just the cap grant and state match and the repayment funds. Mr. Heitzman suggested it might be beneficial to have a presentation regarding the potential need of the Commonwealth and then re-educate the board members on the value of leveraging, what other state's have done with the revolving pools, and refinancing, to get a better handle on the potential demand. Mr. Thomas stated that it would be valuable for KIA and DOW to gauge program demand regardless of how that demand is best addressed.

Mr. Gary Larimore, Kentucky Rural Water Association, wanted to make a statement regarding the needs of water and wastewater. He stated that leveraging would be worthwhile to explore and most beneficial and asked the board to find out what can or cannot be done on this issue. Mr. Gregory Heitzman added that he endorsed and supported further review to find out what is necessary to advance leveraging in light of the

tight budgets.

Judge Larry Whitaker expressed concern about the issue of storage capacity and if it was adequately addressed or reviewed when considering expansion or construction projects. Mr. Bob Amato, Public Service Commission, and Ms. Donna Marlin, Division of Water, both stated their agencies check to make sure water companies have a minimum of 1-day storage.

III. STATUS REPORT FOR FUNDS

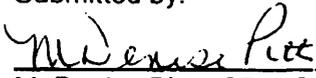
- A. 2003 Coal/Tobacco Development Fund Grants
- B. IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A1, B, B1, C, F, F1

IV. ANNOUNCEMENTS/NOTIFICATIONS

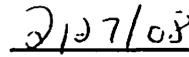
- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, March 6, 2008
1024 Capital Center Drive, Suite 340
Frankfort, KY

There being no further business, Mr. Damon Talley moved to adjourn. Mr. Gregory Heitzman seconded and the motion carried unanimously. The February 7, 2008, meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



M. Denise Pitts, CPA, Secretary
Kentucky Infrastructure Authority



Date

AA



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

December 3, 2009

Ms. Cathy Arnett
Division of Water
Department for Environmental Protection
Environmental and Public Protection Cabinet
200 Fair Oaks
Frankfort, KY 40601

RE: Western Fleming County Water District
F08-01

Dear Ms. Arnett:

Enclosed please find the Assistance Agreement for the above referenced project. Please have the appropriate party sign the agreement on behalf of the Division of Water and return all documents to KIA.

Sincerely,

Tammy J. McCall
Administrative Specialist III

Enclosure

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

ATTEST:

KENTUCKY INFRASTRUCTURE AUTHORITY

Sandy Williams
SECRETARY

By: [Signature]
EXECUTIVE DIRECTOR

Title: _____

Title: _____

ATTEST:

GOVERNMENTAL AGENCY:
WESTERN FLEMING COUNTY WATER DISTRICT

Wm. Fred Rose Jr.
Title: SECRETARY

By: Vernon Barton
Title: CHAIRMAN

APPROVED:

EXAMINED:

SECRETARY/FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY

Peck, Shaffer & Williams LLP
LEGAL COUNSEL TO THE KENTUCKY INFRASTRUCTURE AUTHORITY

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET OF THE COMMONWEALTH OF KENTUCKY

By: _____
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

APPROVED
FINANCE AND ADMINISTRATION CABINET

AA



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

January 5, 2010

Mr. Dirk Bedarff
Peck, Shaffer & Williams LLP
50 East RiverCenter Blvd, Ste 1150
Covington, Kentucky 41011

RE: Fully Executed Assistance Agreements for:
A2 09-10 City of Louisa
A2 09-30 City of Richmond
F08-01 Western Fleming County Water District
F08-09 City of Centertown

Dear Dirk:

Enclosed please find the fully executed Assistance Agreement for the above referenced projects. At your convenience, please prepare the transcripts for distribution. Should questions arise, I can be reached by phone at 502-573-0260 or by e-mail at tammy.mccall@ky.gov.

Sincerely,

Tammy J. McCall
Administrative Specialist III

Enclosure

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

ATTEST:

KENTUCKY INFRASTRUCTURE
AUTHORITY

Sandy Williams
SECRETARY

Title: _____

By: [Signature]

Title: EXECUTIVE DIRECTOR

ATTEST:

GOVERNMENTAL AGENCY:
WESTERN FLEMING COUNTY WATER
DISTRICT

Wm. Fred Rose Jr.
Title: SECRETARY

By: Vernon Barton
Title: CHAIRMAN

APPROVED:

[Signature]
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:

Peck, Shaffer & Williams LLP
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENVIRONMENTAL AND PUBLIC PROTECTION
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

Patrick M. Lee
APPROVED

FINANCE AND ADMINISTRATION CABINET



PECK, SHAFFER & WILLIAMS LLP
ATTORNEYS AT LAW
50 EAST RIVERCENTER BLVD
SUITE 1150
COVINGTON, KENTUCKY 41011

TEL 859 431 7000
888 431 7511
FAX 859 431 0673
WWW.PECKSHAFFER.COM

November 30, 2009

Ms. Kasi White
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Western Fleming County Water District dated as of October 1, 2009, No. F08-01

Dear Kasi:

Enclosed please find executed documents in connection with the above captioned assistance agreement. Please have the appropriate parties execute the agreements on behalf of the Authority and the Commonwealth and return all documents to us for inclusion in the transcripts.

Thank you for your assistance in this matter. If you should have any questions, please do not hesitate to call.

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP


Dirk M. Bedarff

DMB/mmw
encls.



PECK, SHAFFER & WILLIAMS LLP
ATTORNEYS AT LAW
50 EAST RIVERCENTER BLVD
SUITE 1150
COVINGTON, KENTUCKY 41011

TEL 859 431 7000
888 431 7511
FAX 859 431 0673
WWW.PECKSHAFFER.COM

November 30, 2009

Ms. Kasi White
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Western Fleming County Water District dated as of October 1, 2009, No. F08-01

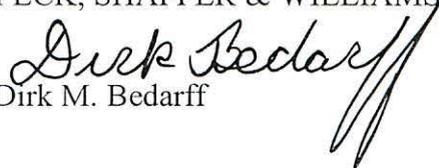
Dear Kasi:

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Thank you for your assistance in this matter. If you should have any questions, please do not hesitate to call.

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP


Dirk M. Bedarff

DMB/mmw
encls.

RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY
2009 DEC - 1 P 2: 08



STEVEN L. BESHEAR
GOVERNOR

LEONARD K. PETERS
SECRETARY

ENERGY AND ENVIRONMENT CABINET
DEPARTMENT FOR ENVIRONMENTAL PROTECTION
DIVISION OF WATER
200 FAIR OAKS LANE, 4TH FLOOR
FRANKFORT, KENTUCKY 40601
www.kentucky.gov

December 8, 2009

Mr. John Covington
Executive Director
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: DWL0841 Fund F
Western Fleming Water District--3284
Activity ID: FGL20070003
Assistance Agreement with
the Western Fleming County Water District
Watershed Name: Fleming Creek
Watershed Code (HUC11): 05100101200

Dear Mr. Covington:

Enclosed is the Assistance Agreement with the Western Fleming County Water District. Funding is to be provided from the Drinking Water State Revolving Fund.

The Department for Environmental Protection, Division of Water has executed the package.

If any additional information is needed, please call Buddy Griffin at (502) 564-8158, extension 4971

Sincerely,

Peter T. Goodmann, Assistant Director
Division of Water

RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY
2009 DEC 14 A 10: 19

PG:bg:

Enclosure



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

December 3, 2009

Ms. Cathy Arnett
Division of Water
Department for Environmental Protection
Environmental and Public Protection Cabinet
200 Fair Oaks
Frankfort, KY 40601

RE: Western Fleming County Water District
F08-01

Dear Ms. Arnett:

Enclosed please find the Assistance Agreement for the above referenced project. Please have the appropriate party sign the agreement on behalf of the Division of Water and return all documents to KIA.

Sincerely,

A handwritten signature in blue ink that reads "Tammy J. McCall".

Tammy J. McCall
Administrative Specialist III

Enclosure

RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY
2009 DEC 14 A 10:19



1229
RECEIVED

DEC 16 2009

**GENERAL COUNSEL
FINANCE CABINET**

Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

December 15, 2009

Secretary Jonathan Miller
Finance and Administration Cabinet
702 Capitol Ave, Room 383
Frankfort, KY 40601

RE: Kentucky Infrastructure Authority (KIA) Fund F Loan Assistance Agreement
Western Fleming County Water District (F08-01)

Dear Secretary Miller:

Enclosed please find for your review and signature the Assistance Agreement for the above referenced project. This loan was approved by the KIA Board and has been reviewed and approved by the Capital Projects and Bond Oversight Committee.

Dirk Bedarff, attorney with KIA legal council Peck, Shaffer & Williams LLP, has examined the agreement and its supporting documentation for completeness and correctness and shows his concurrence via signature.

KIA staff has reviewed the documentation for financial compliance with the State Revolving Fund Loan program. KIA shows its concurrence via the signature of the Executive Director.

Division of Water staff has reviewed the documentation for technical compliance with the State Revolving Fund Loan program. The Energy and Environment Cabinet shows its concurrence via the signature of the Director of the Division of Water.

Please return all documents to KIA upon execution. If you should have questions or comments, please contact us.

Sincerely,

Tammy J. McCall
Administrative Specialist III

Enclosure

RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY
2009 DEC 29 P 2:19

AA



KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Steven L. Beshear
Governor

John E. Covington III
Executive Director

December 15, 2009

Secretary Jonathan Miller
Finance and Administration Cabinet
702 Capitol Ave, Room 383
Frankfort, KY 40601

RE: Kentucky Infrastructure Authority (KIA) Fund F Loan Assistance Agreement
Western Fleming County Water District (F08-01)

Dear Secretary Miller:

Enclosed please find for your review and signature the Assistance Agreement for the above referenced project. This loan was approved by the KIA Board and has been reviewed and approved by the Capital Projects and Bond Oversight Committee.

Dirk Bedarff, attorney with KIA legal council Peck, Shaffer & Williams LLP, has examined the agreement and its supporting documentation for completeness and correctness and shows his concurrence via signature.

KIA staff has reviewed the documentation for financial compliance with the State Revolving Fund Loan program. KIA shows its concurrence via the signature of the Executive Director.

Division of Water staff has reviewed the documentation for technical compliance with the State Revolving Fund Loan program. The Energy and Environment Cabinet shows its concurrence via the signature of the Director of the Division of Water.

Please return all documents to KIA upon execution. If you should have questions or comments, please contact us.

Sincerely,

Tammy J. McCall
Administrative Specialist III

Enclosure

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

ATTEST:

KENTUCKY INFRASTRUCTURE
AUTHORITY

Sandy Williams
SECRETARY
Title: _____

By: [Signature]
EXECUTIVE DIRECTOR
Title: _____

ATTEST:

GOVERNMENTAL AGENCY:
WESTERN FLEMING COUNTY WATER
DISTRICT

Wm. Fred Rose Jr.
Title: SECRETARY

By: Vernon Barton
Title: CHAIRMAN

APPROVED:

EXAMINED:

SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

Peck, Shaffer & Williams LLP
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENVIRONMENTAL AND PUBLIC PROTECTION
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

APPROVED
FINANCE AND ADMINISTRATION CABINET

F08-01
AA



ONE COMPANY | Many Solutions

HDR | Quest

April 14, 2011

Mr. Mike Klein, Project Executive
3D Enterprises Contracting Corporation
3257 Lochness Dr.
Lexington KY 40517

RECEIVED
APR 19 2011
CONTRACT DEPARTMENT

RE: Western Fleming Water Plant – Phase 3 Improvements
Nicholas County, Kentucky (80800)
Letter Confirming Dates of Substantial Completion and Final Completion
Letter Confirming Construction Completed in Accordance with Contract Documents
Initiation of Operations Letter

Dear Mr. Klein –

We received your attached letter dated April 1, 2011 regarding completion of the above referenced Project. We agree the Project was completed in accordance with the Contract Documents. We further agree that the Substantial Completion Date was November 11, 2010, and the Final Completion Date was February 16, 2011. All new process equipment was tested and placed in-service as November 11, 2010 and we also consider this the Initiation of Operations date. The One-Year Guaranty Period will expire on November 11, 2011.

We appreciate the opportunity to work with you and your firm on this Project and look forward to completing similar projects in the future.

Please call if there are any questions.

Sincerely,

Robert H. Williams, P.E.
Contract Administration Manager

Cc: Buddy Griffin (Kentucky Division of Water)
Vernon Barton, Chairman (Western Fleming Water District)



Engineers • Contractors/Construction Managers • Environmental Consultants

April 1, 2011

HDR Engineering, Inc.

APR 04 2011

HDR/Quest Engineers
2517 Sir Barton Way
Lexington, KY 40509

RECEIVED

Attention: Mr. Rob Williams, P.E.

RE: Western Fleming Water Treatment Plant
Improvements – Phase 3
3D Project No. 169
Final Completion

Dear Mr. Williams:

Please consider this letter as formal notice of Final Completion on the above referenced project. We are writing to confirm that the Punch-List identified as Work Items remaining, dated December 10, 2010, has been completed as of February 16, 2011. In accordance with Section 01700 Project Closeout of the contract documents we have previously notified you of Substantial Completion, effective November 11, 2010. In accordance with our understanding of the contract documents the twelve (12) month or one (1) year warranty for the Facility was initiated as of November 11, 2010, and will run for a period of one (1) year until November 10, 2011.

Under previous transmittal we have forwarded the record documents, record As-built drawings, and the Operation and Maintenance Manuals. In accordance with the instructions in the contract documents we have attached a Consent of Surety to Final Payment, along with the final application for payment.

Should there be any additional information that is needed to process this project for final close out and payment, please notify us accordingly.

Sincerely,

3D Enterprises Contracting Corporation

Mike Klein
Project Executive

MK/ams

cc: Blake Easter, 3D, w/o encl.

**CONSENT OF
SURETY COMPANY
TO FINAL PAYMENT**

OWNER
ARCHITECT
CONTRACTOR
SURETY
OTHER

AIA DOCUMENT G707

Bond Number: 81954918

PROJECT: Water Treatment Plant Improvements - Phase 3 - Western Fleming County
(name, address) Water District, Ewing, KY

TO (Owner)

Western Fleming County Water District
1500 Ewing Road
Ewing, KY 41039

ARCHITECT'S PROJECT NO.:
CONTRACT FOR: See Above Project

CONTRACT DATE: 10/1/2009

CONTRACTOR:

3 D Enterprises Contracting Corporation, 3257 Lochness Drive, Lexington, KY 40517-1242

In accordance with the provisions of the Contract between the Owner and the Contractor as indicated above, the
(here insert name and address of Surety Company)

Federal Insurance Company, 15 Mountain View Road, Warren, NV 07059, SURETY COMPANY,

on bond of (here insert name and address of Contractor)

3 D Enterprises Contracting Corporation, 3257 Lochness Drive, Lexington, KY 40517-1242, CONTRACTOR,

hereby approves of the final payment to the Contractor, and agrees that final payment to the Contractor shall not relieve the
Surety Company of any of its obligations to (here insert name and address of Owner)

Western Fleming County Water District, 1500 Ewing Road, Ewing, KY 41039, OWNER,

as set forth in the said Surety Company's bond.

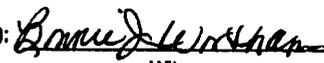
IN WITNESS WHEREOF,

the Surety Company has hereunto set its hand this 25th day of March, 2011

Federal Insurance Company
Surety Company

By: 
Signature of Authorized Representative

James T. Smith, Attorney-in-Fact
Title

(Seal): 
Witness

NOTE: This form is to be used as a companion document to AIA DOCUMENT G708, CONTRACTOR'S AFFIDAVIT OF PAYMENT OF DEBTS AND CLAIMS, Current Edition.



**Chubb
Surety**

**POWER
OF
ATTORNEY**

**Federal Insurance Company
Vigilant Insurance Company
Pacific Indemnity Company**

**Attn: Surety Department
15 Mountain View Road
Warren, NJ 07059**

Know All by These Presents, That FEDERAL INSURANCE COMPANY, an Indiana corporation, VIGILANT INSURANCE COMPANY, a New York corporation, and PACIFIC INDEMNITY COMPANY, a Wisconsin corporation, do each hereby constitute and appoint Raymond M. Hundley, James H. Martin, Deborah Neichter, Brook T. Smith and James T. Smith of Louisville, Kentucky

each as their true and lawful Attorney- In- Fact to execute under such designation in their names and to affix their corporate seals to and deliver for and on their behalf as surety thereon or otherwise, bonds and undertakings and other writings obligatory in the nature thereof (other than ball bonds) given or executed in the course of business, and any instruments amending or altering the same, and consents to the modification or alteration of any instrument referred to in said bonds or obligations.

In Witness Whereof, said FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY have each executed and attested these presents and affixed their corporate seals on this **19th** day of **January, 2010**.

Kenneth C. Wendel, Assistant Secretary

David B. Norris, Jr., Vice President

STATE OF NEW JERSEY
County of Somerset

On this **19th** day of **January, 2010**

before me, a Notary Public of New Jersey, personally came Kenneth C. Wendel, to me known to be Assistant Secretary of FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY, the companies which executed the foregoing Power of Attorney, and the said Kenneth C. Wendel, being by me duly sworn, did depose and say that he is Assistant Secretary of FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY and knows the corporate seals thereof, that the seals affixed to the foregoing Power of Attorney are such corporate seals and were thereto affixed by authority of the By- Laws of said Companies; and that he signed said Power of Attorney as Assistant Secretary of said Companies by like authority; and that he is acquainted with David B. Norris, Jr., and knows him to be Vice President of said Companies; and that the signature of David B. Norris, Jr., subscribed to said Power of Attorney is in the genuine handwriting of David B. Norris, Jr., and was thereto subscribed by authority of said By-Laws and in deponent's presence.

Notarial Seal



STEPHEN B. BRADT
Notary Public, State of New Jersey
No. 2321097
Commission Expires Oct. 25, 2014

Notary Public

CERTIFICATION

Extract from the By- Laws of FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY:

"All powers of attorney for and on behalf of the Company may and shall be executed in the name and on behalf of the Company, either by the Chairman or the President or a Vice President or an Assistant Vice President, jointly with the Secretary or an Assistant Secretary, under their respective designations. The signature of such officers may be engraved, printed or lithographed. The signature of each of the following officers: Chairmen, President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Assistant Secretaries or Attorneys- In- Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached."

I, Kenneth C. Wendel, Assistant Secretary of FEDERAL INSURANCE COMPANY, VIGILANT INSURANCE COMPANY, and PACIFIC INDEMNITY COMPANY (the "Companies") do hereby certify that

- (i) the foregoing extract of the By- Laws of the Companies is true and correct,
- (ii) the Companies are duly licensed and authorized to transact surety business in all 50 of the United States of America and the District of Columbia and are authorized by the U.S. Treasury Department; further, Federal and Vigilant are licensed in Puerto Rico and the U.S. Virgin Islands, and Federal is licensed in American Samoa, Guam, and each of the Provinces of Canada except Prince Edward Island; and
- (iii) the foregoing Power of Attorney is true, correct and in full force and effect.

Given under my hand and seals of said Companies at Warren, NJ this **25th** day of **March, 2011**



Kenneth C. Wendel, Assistant Secretary

IN THE EVENT YOU WISH TO NOTIFY US OF A CLAIM, VERIFY THE AUTHENTICITY OF THIS BOND OR NOTIFY US OF ANY OTHER MATTER, PLEASE CONTACT US AT ADDRESS LISTED ABOVE, OR BY Telephone (908) 903- 3493 Fax (908) 903- 3856 e-mail: surety@chubb.com

AA



PECK, SHAFFER & WILLIAMS LLP
ATTORNEYS AT LAW
50 EAST RIVERCENTER BLVD
SUITE 1150
COVINGTON, KENTUCKY 41011

TEL 859 431 7000
888 431 7511
FAX 859 431 0673
WWW.PECKSHAFFER.COM

October 19, 2009

Mr. Vernon Barton
Chairman
Western Fleming County Water District
PO Box 16
Ewing, Kentucky 41039

RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY
2009 OCT 20 A 10: 02

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Western Fleming County Water District dated as of October 1, 2009, No. F08-01

Dear Mr. Barton:

In order for us to close the loan to be provided pursuant to the referenced Assistance Agreement, we ask that you provide the following:

1. Four (4) executed copies of the enclosed Resolution approving the Assistance Agreement;
2. Four (4) executed copies of the enclosed General Closing Certificate;
3. An executed copy of the Opinion of the District's Attorney, using the form enclosed, on counsel's letterhead;
4. Three (3) executed copies of the enclosed signature pages to the Assistance Agreement, together with one (1) executed copy of the complete Assistance Agreement.

In addition, we request that you provide or complete the following:

1. Minutes of the Meeting at which the Resolution was adopted.
2. A schedule of the District's present service charges, as defined in the Assistance Agreement to be incorporated as Exhibit C to the Assistance Agreement.
3. Complete the portion of Exhibit A to the Assistance Agreement concerning the District's insurance coverage.

Page 2

We have also enclosed one copy of each of the documents to be retained in your files, including the Assistance Agreement. All remaining executed copies, including the signature pages to the Assistance Agreement, should be returned to the undersigned, so that we may review the enclosed documents and forward them to the Kentucky Infrastructure Authority, who will obtain the necessary signatures by the Infrastructure Authority and return the documents to us. A bound transcript including all signed documents will be provided to you at a later date. Please make sure that Exhibits A and C to the Assistance Agreement are completed, including the section in Exhibit A concerning the insurance coverage.

Please call the undersigned if you should have any questions or comments regarding these enclosures.

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP

Per

Dirk M. Bedarff



DMB/mmw

Encls.

cc: Ms. Kasi White w/encl. AA ✓
Ms. Lola Lyle w/encl. AA
Ms. Molly Ruark w/encl. AA
Mr. Adam Lister w/encl. AA
Mr. Bob Sturdivant

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F08-01

BORROWER: Western Fleming County Water District

BORROWER'S ADDRESS: PO Box 16
Ewing, Kentucky 41039

DATE OF ASSISTANCE AGREEMENT: October 1, 2009

CFDA NO.: 66.468

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

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

WITNESSETH

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

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

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

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

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

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

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

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

"*Cabinet*" means the Natural Resources and Environmental Protection Cabinet of the Commonwealth.

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

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

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

"*Debt Obligations*" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance

Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to proceed with the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

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

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

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

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

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

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

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

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

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

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

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

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

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

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

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable

from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

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

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

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

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

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

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

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

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

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

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

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

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

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

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

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

Social Policy Authorities

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

- (g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

- (2) State:
 - (a) KRS 224
 - (b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
 - (c) KRS Chapter 337, Labor Laws
 - (d) 401 KAR Chapter 5

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

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX

MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

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

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

ATTEST:

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: _____

Title: _____

Title: _____

ATTEST:

**GOVERNMENTAL AGENCY:
WESTERN FLEMING COUNTY WATER
DISTRICT**

By: _____

Title: SECRETARY

Title: CHAIRMAN

APPROVED:

EXAMINED:

SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENVIRONMENTAL AND PUBLIC PROTECTION
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: _____
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
Western Fleming County Water District
PROJECT SPECIFICS
F08-01

GOVERNMENTAL AGENCY:

Name: Western Fleming County Water District
 PO Box 16
 Ewing, Kentucky 41039

Contact

Person: Vernon Barton
 606-267-2120

SYSTEM: Drinking Water

PROJECT: Phase III Water System Improvements - The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new raw water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements.

PROJECT BUDGET:

	Fund F Loan	HB 380 Grant	Total
Administrative Expenses	6,886	-	\$ 6,886
Legal Expenses	5,000	-	\$ 5,000
Engineering Fees	246,114	50,000	\$ 296,114
Construction	2,055,000	-	\$ 2,055,000
Contingency	200,000	-	\$ 200,000
Other	5,000	-	\$ 5,000
Total	2,518,000	50,000	\$ 2,568,000

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 2,518,000	98%
HB 380 Grant	\$ 50,000	2%
Total	\$ 2,568,000	100%

KIA DEBT SERVICE:

Construction Loan	\$	2,518,000
Interest Rate		1.00%
Loan Term (Years)		30
Estimated Annual Debt Service	\$	97,360
Administrative Fee (0.25%)	\$	6,295
Total Estimated Annual Debt Service	\$	103,655

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 6/1/10).

Full principal and interest payments will commence within one year of initiation of operation (estimated 6/01/11).

REPLACEMENT RESERVE ACCOUNT:	\$	6,500	ANNUAL AMOUNT
	\$	65,000	TOTAL AMOUNT

The annual replacement cost is \$6,500. This amount should be added to the replacement account each December 1 until the balance reaches \$65,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>
1969 Serial	\$59,583
1980 FHA	\$314,000
1988 FHA	\$260,000
1997 FHA	\$609,000
2003 FHA	\$484,000
2004 KY Rural Water	\$290,370
Total	<u>\$2,016,953</u>

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	_____
Death or Personal Injury (per occurrence)	_____
Property Damage on System	_____

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED OCTOBER 1, 2009
LOAN NO. F08-01**

Request No. _____

Dated: _____

Original sent to: Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

Copy sent to: Division of Water
Energy and Environment Cabinet
Attn: Water Infrastructure Branch, SRF and SPAP Section
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

FROM: WESTERN FLEMING COUNTY WATER DISTRICT (the
"Governmental Agency")

Gentlemen:

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of drinking water supply facilities, described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling \$ _____.

Documentation supporting the expenses incurred and identified per this request are attached.

ELIGIBLE PROJECT EXPENSES INCURRED

<u>Contractor</u>	<u>Expenses this Request</u>	<u>Expenses to Date</u>
Total		

ALLOCATION OF FUNDING FOR EXPENSES

<u>Funding Source</u>	<u>Portion of Expenses this Request</u>	<u>Portion of Expenses Total to Date</u>
-----------------------	---	--

Totals

The Governmental Agency certifies it has also paid Project expenses for planning and design or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

<u>Funding Source</u>	<u>Amount of Payment or Requisition</u>	<u>Date of Payment or Requisition</u>
-----------------------	---	---

Respectfully submitted,

Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO
PAYMENT REQUEST

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Architect

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

[SEE ATTACHED]

EXHIBIT D

RESOLUTION

RESOLUTION OF THE WESTERN FLEMING COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF OCTOBER 1, 2009 BETWEEN THE WESTERN FLEMING COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Western Fleming County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water System (the "Project") and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of October 1, 2009 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Western Fleming County Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the acquisition and construction of the Project.

SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on _____, 2009.

Chairman

Attest:

Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Fleming County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on _____, 2009; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was 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 official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2009.

Recording Officer

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Western Fleming County Water District, dated as of October 1, 2009

Ladies and Gentlemen:

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

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

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
WESTERN FLEMING COUNTY WATER DISTRICT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority \$ _____

Principal and Interest Payable
on Each June 1 and December 1

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: _____

Title: _____

**WESTERN FLEMING COUNTY WATER
DISTRICT**

Governmental Agency

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G
ADDITIONAL COVENANTS AND AGREEMENTS

NONE

45826.1

BOND RESOLUTION

WESTERN FLEMING COUNTY WATER DISTRICT

AUTHORIZING

WESTERN FLEMING COUNTY WATER DISTRICT

WATER SYSTEM REVENUE BONDS, SERIES 2020

IN THE PRINCIPAL AMOUNT OF

\$810,000

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BOND RESOLUTION

RESOLUTION OF THE WESTERN FLEMING COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$810,000 PRINCIPAL AMOUNT OF WESTERN FLEMING COUNTY WATER DISTRICT WATER SYSTEM 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 WATER SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

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

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$810,000 (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 the engineer for the District and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

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 will apply to the Kentucky Public Service Commission for issuance of a Certificate of Public Convenience and Necessity authorizing the construction of said extensions, additions and improvements,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE WESTERN FLEMING COUNTY WATER 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.

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

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

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

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

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

"Bonds of 1980" or "Series 1980 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1980, dated December 30, 1980, in the original authorized principal amount of \$560,000.

"Bonds of 1988" or "Series 1988 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds of 1988, dated April 18, 1989, in the original authorized principal amount of \$341,000.

"Bonds of 1997" or "Series 1997 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds, Series 1997, dated September 10, 1998, in the original authorized principal amount of \$675,000.

"Bonds of 2002" or "Series 2002 Bonds" refer to the outstanding Western Fleming County Water District Waterworks Revenue Bonds, Series 2002, dated March 20, 2003, in the original authorized principal amount of \$500,000.

"Bond Resolution of 1980" or "1980 Bond Resolution" refer to the Resolution authorizing the Bonds of 1980, duly adopted by the Board of Commissioners of the District on April 29, 1980.

"Bond Resolution of 1988" or *"1988 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1988, duly adopted by the Board of Commissioners of the District on July 15, 1988.

"Bond Resolution of 1997" or *"1997 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1997, duly adopted by the Board of Commissioners of the District on October 29, 1997.

"Bond Resolution of 2002" or *"2002 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2002, duly adopted by the Board of Commissioners of the District on August 14, 2002.

"CDBG Grant" refers to the Community Development Block Grant described in Section 806 of this Resolution.

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

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

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

"Construction Account" refers to the Western Fleming County Water District Water System 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 \$810,000 of Western Fleming County Water District Water System Revenue Bonds, Series 2020 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Western Fleming County Water District Water System Sinking Fund of 2020, described in Section 401 of this Resolution.

"Debt Reserve Fund" refers to the Western Fleming County Water District USDA Debt Reserve Fund, 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 named by the District.

"District" refers to the Western Fleming County Water District, a water district created pursuant to Chapter 74 of the Kentucky Revised Statutes.

"Engineers" refers to the engineer(s) currently employed by the District 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.

"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.

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

"Interim Lender" refers to the Kentucky Rural Water Finance Corporation or any financial institution or governmental agency approved by the District..

"KIA Loan" refers to the outstanding 2010 Kentucky Infrastructure Authority Loan #F08-01 to the District.

"Local Counsel" refers to Suit, Price, Price, & Ruark, Flemingsburg, 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 Western Fleming County Water District Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been

deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the 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 1980 Bonds, the Series 1988 Bonds, the Series 1997 Bonds, the Series 2002 Bonds the KIA Loan.

"Prior Bond Resolution" collectively refers to the 1980 Bond Resolution, the 1988 Bond Resolution, the 1997 Bond Resolution, the 2002 Bond Resolution and the assistance agreement authorizing the KIA Loan.

"Prior Sinking Fund" refers to the various sinking funds established to service the principal and interest requirements on the outstanding Prior Bonds.

"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.

"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 or other District representative authorized by the Commission; (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 Western Fleming County Water District Water 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 water 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, capitalized interest during construction, legal and administrative costs, publication costs and all incidental expenses, will not exceed \$2,080,000. The Project is being funded from the proceeds of the ARC Grant, the CDBG Grant, the RD Grant and the proceeds of the Current Bonds. Therefore, it is hereby determined to be necessary in order for the District to finance the cost of the Project that the District issue a total of \$810,000 of Current Bonds.

Accordingly, for the purpose of financing the cost of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$810,000 principal amount of Western Fleming County Water District Water System 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.

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

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 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 thereunder 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 \$160,000 (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 \$160,000, 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. 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 "Western Fleming County Water District Water System Construction Account" hereby created, which shall be established at the Depository Bank.

(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 RUS 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, if necessary, (initially estimated at \$10,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing, such amount may be expended on any costs of the Project or transferred to 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 RUS 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 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 Debt Reserve Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District may 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 \$810,000 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 \$810,000. 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 \$810,000 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 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.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds, 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 are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

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 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 the following funds and accounts:

- (a) Western Fleming County Water District Water Revenue Fund
- (b) Western Fleming County Water District Sinking Fund(s)
- (c) Western Fleming County Water District Depreciation Fund(s)
- (d) Western Fleming County Water District Operation and Maintenance Fund

The are hereby created and established the Western Fleming County Water District Water System Sinking Fund of 2020 and the Western Fleming County Water District Water System Debt Reserve Fund.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding. The District may change depository banks at its discretion.

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. 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 owners of the Prior Bonds.

D. Debt Reserve Fund. 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 \$285 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 \$34,200, which amount shall be maintained, and when necessary, restored to said sum of \$34,200 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 Current 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 may 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, to the sinking fund(s) to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds or said excess funds may remain in the Revenue Fund.

H. Investment and Miscellaneous Provisions. All monies in the Current 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 Current 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 Subordinate to the Prior Bonds. It is hereby found and declared that the Current Bonds shall be secured by and payable from the gross income and revenues of the System, subject to the priorities of the outstanding Prior Bonds.

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 nine (9) months 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.

The District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

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

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

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

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

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

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

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

- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain water 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 507 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. 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 water 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 \$270,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of CDBG Grant Agreement. The Department of Housing and Urban Development (the "HUD") has agreed to make a grant to the District in the amount of \$700,000 (the "CDBG Grant"), to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and HUD has requested the District to approve, accept and execute a certain CDBG Grant Agreement (the "CDBG Grant Agreement") setting out the terms and conditions upon which said CDBG Grant will be made. Said CDBG Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said CDBG Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other CDBG Grants offered to the District in connection with the Project and to execute any and all CDBG Grant Agreements and any other documents as may be requested by HUD in connection with CDBG Grants which have been and/or which may hereafter be approved for such Project.

Section 806. Approval and Acceptance of ARC Grant Agreement. The Appalachian Regional Commission (the "ARC") has agreed to make a grant to the District in the amount of \$300,000 (the "ARC Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the ARC has requested the District to approve, accept and execute a certain ARC Grant Agreement (the "ARC Grant Agreement"), setting out the terms and conditions upon which said ARC Grant will be made. Said ARC Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said ARC Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other ARC Grants offered to the District in connection with the Project and to execute any and all ARC Grant Agreements and any other documents as may be requested by the ARC in connection with ARC Grants which have been and/or which may hereafter be approved for such Project.

Section 807. 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).

Section 808. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any Water facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such Water lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such Water facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

Section 809. 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 an approving certificate executed by the District and the Purchaser.

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required to be filed with the Government with regard to the liability or non-liability of the District as to any such

rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

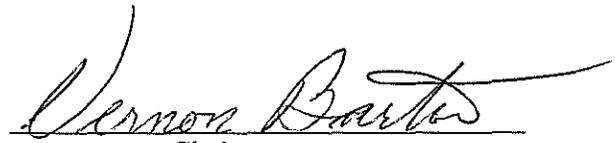
Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this January 16, 2020.

Western Fleming County Water District


Chairman

(Seal of District)

Attest:


Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Western Fleming County Water District and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on January 16, 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 January 16, 2020.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

<u>Payment Due January 1</u>	<u>Principal Payment</u>	<u>Payment Due January 1</u>	<u>Principal Payment</u>
2021	\$11,500	2041	\$19,500
2022	11,500	2042	20,000
2023	12,000	2043	20,500
2024	12,500	2044	21,000
2025	12,500	2045	22,000
2026	13,000	2046	22,500
2027	13,500	2047	23,000
2028	14,000	2048	23,500
2029	14,000	2049	24,500
2030	14,500	2050	25,000
2031	15,000	2051	25,500
2032	15,000	2052	26,500
2033	16,000	2053	27,000
2034	16,000	2054	28,000
2035	16,500	2055	28,500
2036	17,000	2056	29,500
2037	17,500	2057	30,000
2038	18,000	2058	31,000
2039	18,500	2059	32,000
2040	19,000	2060	32,500

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 Water system of the District (said existing Water 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) Western Fleming County Water District Waterworks Revenue Bonds of 1980, dated December 30, 1980 (the "1980 Bonds"), authorized by a Resolution adopted by the Commission of the District on April 29, 1980 (the "1980 Bond Resolution"); (ii) Western Fleming County Water District Waterworks Revenue Bonds of 1988, dated April 18, 1989 (the "1988 Bonds"), authorized by a Resolution adopted by the Commission of the District on July 15, 1988 (the "1988 Bond Resolution"); (iii) Western Fleming County Water District Waterworks Revenue Bonds, Series 1997, dated September 10, 1998 (the "1997 Bonds"), authorized by a Resolution adopted by the Commission of the District on October 29, 1997 (the "1997 Bond Resolution"); (iv) Western Fleming County Water District Waterworks Revenue Bonds, Series 2002, dated March 20, 2003 (the "2002 Bonds"), authorized by a Resolution adopted by the Commission of the District on August 14, 2002 (the "2002 Bond Resolution"); and (v) Kentucky Infrastructure Authority 2010 loan to the District (the "KIA Loan"); [hereinafter the 1980 Bonds, the 1988 Bonds, the 1997 Bonds, the 2002 Bonds and the KIA Loan are collectively referred to as "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 "Western Fleming County Water District Water System 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 Western Fleming County Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

Western Fleming County Water 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: Western Fleming County Water District Water System Revenue Bonds, Series 2020, in the principal amount of \$810,000

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 Western Fleming County Water District (the "District").

2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$_____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:

3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Western Fleming County Water District Water System 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__.

Western Fleming County Water District

HMB Professional Engineers, Inc.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

Attachment #9

Name	WESTERN FLEMING COUNTY WATER DISTRICT				LOAN NUMBER	91-02
Bond Series		Amount of Bond			Interest Rate	Semi Annual
1989		\$341,000.00			5.000%	4/18/1989
			JANUARY	JULY		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
1991			\$0.00	\$8,450.00	\$8,450.00	\$341,000.00
1992	\$6,000.00	\$8,450.00	\$14,450.00	\$8,375.00	\$22,825.00	\$335,000.00
1993	\$3,000.00	\$8,375.00	\$11,375.00	\$8,300.00	\$19,675.00	\$332,000.00
1994	\$4,000.00	\$8,311.51	\$12,311.51	\$8,200.00	\$20,511.51	\$328,000.00
1995	\$4,000.00	\$8,200.00	\$12,200.00	\$8,100.00	\$20,300.00	\$324,000.00
1996	\$4,000.00	\$8,100.00	\$12,100.00	\$8,000.00	\$20,100.00	\$320,000.00
1997	\$4,000.00	\$8,000.00	\$12,000.00	\$7,900.00	\$19,900.00	\$316,000.00
1998	\$4,000.00	\$7,900.00	\$11,900.00	\$7,800.00	\$19,700.00	\$312,000.00
1999	\$5,000.00	\$7,800.00	\$12,800.00	\$7,675.00	\$20,475.00	\$307,000.00
2000	\$5,000.00	\$7,675.00	\$12,675.00	\$7,550.00	\$20,225.00	\$302,000.00
2001	\$5,000.00	\$7,550.00	\$12,550.00	\$7,425.00	\$19,975.00	\$297,000.00
2002	\$5,000.00	\$7,425.00	\$12,425.00	\$7,300.00	\$19,725.00	\$292,000.00
2003	\$6,000.00	\$7,300.00	\$13,300.00	\$7,150.00	\$20,450.00	\$286,000.00
2004	\$6,000.00	\$7,150.00	\$13,150.00	\$7,000.00	\$20,150.00	\$280,000.00
2005	\$6,000.00	\$7,000.00	\$13,000.00	\$6,850.00	\$19,850.00	\$274,000.00
2006	\$7,000.00	\$6,850.00	\$13,850.00	\$6,675.00	\$20,525.00	\$267,000.00
2007	\$7,000.00	\$6,675.00	\$13,675.00	\$6,500.00	\$20,175.00	\$260,000.00
2008	\$7,000.00	\$6,500.00	\$13,500.00	\$6,325.00	\$19,825.00	\$253,000.00
2009	\$8,000.00	\$6,325.00	\$14,325.00	\$6,125.00	\$20,450.00	\$245,000.00
2010	\$8,000.00	\$6,125.00	\$14,125.00	\$5,925.00	\$20,050.00	\$237,000.00
2011	\$9,000.00	\$5,925.00	\$14,925.00	\$5,700.00	\$20,625.00	\$228,000.00
2012	\$9,000.00	\$5,700.00	\$14,700.00	\$5,475.00	\$20,175.00	\$219,000.00
2013	\$9,000.00	\$5,475.00	\$14,475.00	\$5,250.00	\$19,725.00	\$210,000.00
2014	\$10,000.00	\$5,250.00	\$15,250.00	\$5,000.00	\$20,250.00	\$200,000.00
2015	\$10,000.00	\$5,000.00	\$15,000.00	\$4,750.00	\$19,750.00	\$190,000.00
2016	\$11,000.00	\$4,750.00	\$15,750.00	\$4,475.00	\$20,225.00	\$179,000.00
2017	\$11,000.00	\$4,475.00	\$15,475.00	\$4,200.00	\$19,675.00	\$168,000.00
2018	\$12,000.00	\$4,200.00	\$16,200.00	\$3,900.00	\$20,100.00	\$156,000.00
2019	\$13,000.00	\$3,900.00	\$16,900.00	\$3,575.00	\$20,475.00	\$143,000.00
2020	\$13,000.00	\$3,575.00	\$16,575.00	\$3,250.00	\$19,825.00	\$130,000.00
2021	\$14,000.00	\$3,250.00	\$17,250.00	\$2,900.00	\$20,150.00	\$116,000.00
2022	\$14,000.00	\$2,900.00	\$16,900.00	\$2,550.00	\$19,450.00	\$102,000.00
2023	\$15,000.00	\$2,550.00	\$17,550.00	\$2,175.00	\$19,725.00	\$87,000.00
2024	\$16,000.00	\$2,175.00	\$18,175.00	\$1,775.00	\$19,950.00	\$71,000.00
2025	\$17,000.00	\$1,775.00	\$18,775.00	\$1,350.00	\$20,125.00	\$54,000.00
2026	\$17,000.00	\$1,350.00	\$18,350.00	\$925.00	\$19,275.00	\$37,000.00
2027	\$18,000.00	\$925.00	\$18,925.00	\$475.00	\$19,400.00	\$19,000.00
2028	\$19,000.00	\$475.00	\$19,475.00	\$0.00	\$19,475.00	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$341,000.00	\$205,361.51		\$205,350.00	\$751,711.51	

Name	WESTERN FLEMING WATER DISTRICT				LOAN NUMBER	91-09
Bond Series		Amount of Bond			Interest Rate	Semi Annual
		\$810,000.00			1.500%	9/24/2020
			January	July		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
						\$810,000.00
2021	\$14,900.00	\$6,075.00	\$20,975.00	\$5,963.25	\$26,938.25	\$795,100.00
2022	\$15,200.00	\$5,963.25	\$21,163.25	\$5,849.25	\$27,012.50	\$779,900.00
2023	\$15,400.00	\$5,849.25	\$21,249.25	\$5,733.75	\$26,983.00	\$764,500.00
2024	\$15,600.00	\$5,733.75	\$21,333.75	\$5,616.75	\$26,950.50	\$748,900.00
2025	\$15,800.00	\$5,616.75	\$21,416.75	\$5,498.25	\$26,915.00	\$733,100.00
2026	\$16,100.00	\$5,498.25	\$21,598.25	\$5,377.50	\$26,975.75	\$717,000.00
2027	\$16,300.00	\$5,377.50	\$21,677.50	\$5,255.25	\$26,932.75	\$700,700.00
2028	\$16,600.00	\$5,255.25	\$21,855.25	\$5,130.75	\$26,986.00	\$684,100.00
2029	\$16,800.00	\$5,130.75	\$21,930.75	\$5,004.75	\$26,935.50	\$667,300.00
2030	\$17,100.00	\$5,004.75	\$22,104.75	\$4,876.50	\$26,981.25	\$650,200.00
2031	\$17,300.00	\$4,876.50	\$22,176.50	\$4,746.75	\$26,923.25	\$632,900.00
2032	\$17,600.00	\$4,746.75	\$22,346.75	\$4,614.75	\$26,961.50	\$615,300.00
2033	\$17,800.00	\$4,614.75	\$22,414.75	\$4,481.25	\$26,896.00	\$597,500.00
2034	\$18,100.00	\$4,481.25	\$22,581.25	\$4,345.50	\$26,926.75	\$579,400.00
2035	\$18,400.00	\$4,345.50	\$22,745.50	\$4,207.50	\$26,953.00	\$561,000.00
2036	\$18,700.00	\$4,207.50	\$22,907.50	\$4,067.25	\$26,974.75	\$542,300.00
2037	\$18,900.00	\$4,067.25	\$22,967.25	\$3,925.50	\$26,892.75	\$523,400.00
2038	\$19,200.00	\$3,925.50	\$23,125.50	\$3,781.50	\$26,907.00	\$504,200.00
2039	\$19,500.00	\$3,781.50	\$23,281.50	\$3,635.25	\$26,916.75	\$484,700.00
2040	\$19,800.00	\$3,635.25	\$23,435.25	\$3,486.75	\$26,922.00	\$464,900.00
2041	\$20,100.00	\$3,486.75	\$23,586.75	\$3,336.00	\$26,922.75	\$444,800.00
2042	\$20,400.00	\$3,336.00	\$23,736.00	\$3,183.00	\$26,919.00	\$424,400.00
2043	\$20,700.00	\$3,183.00	\$23,883.00	\$3,027.75	\$26,910.75	\$403,700.00
2044	\$21,000.00	\$3,027.75	\$24,027.75	\$2,870.25	\$26,898.00	\$382,700.00
2045	\$21,300.00	\$2,870.25	\$24,170.25	\$2,710.50	\$26,880.75	\$361,400.00
2046	\$21,700.00	\$2,710.50	\$24,410.50	\$2,547.75	\$26,958.25	\$339,700.00
2047	\$22,000.00	\$2,547.75	\$24,547.75	\$2,382.75	\$26,930.50	\$317,700.00
2048	\$22,300.00	\$2,382.75	\$24,682.75	\$2,215.50	\$26,898.25	\$295,400.00
2049	\$22,600.00	\$2,215.50	\$24,815.50	\$2,046.00	\$26,861.50	\$272,800.00
2050	\$23,000.00	\$2,046.00	\$25,046.00	\$1,873.50	\$26,919.50	\$249,800.00
2051	\$23,300.00	\$1,873.50	\$25,173.50	\$1,698.75	\$26,872.25	\$226,500.00
2052	\$23,700.00	\$1,698.75	\$25,398.75	\$1,521.00	\$26,919.75	\$202,800.00
2053	\$24,000.00	\$1,521.00	\$25,521.00	\$1,341.00	\$26,862.00	\$178,800.00
2054	\$24,400.00	\$1,341.00	\$25,741.00	\$1,158.00	\$26,899.00	\$154,400.00
2055	\$24,800.00	\$1,158.00	\$25,958.00	\$972.00	\$26,930.00	\$129,600.00
2056	\$25,100.00	\$972.00	\$26,072.00	\$783.75	\$26,855.75	\$104,500.00
2057	\$25,500.00	\$783.75	\$26,283.75	\$592.50	\$26,876.25	\$79,000.00
2058	\$25,900.00	\$592.50	\$26,492.50	\$398.25	\$26,890.75	\$53,100.00
2059	\$26,300.00	\$398.25	\$26,698.25	\$201.00	\$26,899.25	\$26,800.00
2060	\$26,800.00	\$201.00	\$27,001.00	\$0.00	\$27,001.00	\$0.00
2061	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$810,000.00	\$136,532.25		\$130,457.25	\$1,076,989.50	

Name	WESTERN FLEMING WATER DISTRICT				LOAN NUMBER	91-07
Bond Series		Amount of Bond			Interest Rate	Semi Annual
		\$500,000.00			4.500%	3/20/2003
			January	July		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
2003			\$0.00	\$6,349.32	\$6,349.32	\$500,000.00
2004		\$11,250.00	\$11,250.00	\$11,250.00	\$22,500.00	\$500,000.00
2005	\$5,000.00	\$11,250.00	\$16,250.00	\$11,137.50	\$27,387.50	\$495,000.00
2006	\$5,500.00	\$11,137.50	\$16,637.50	\$11,013.75	\$27,651.25	\$489,500.00
2007	\$5,500.00	\$11,013.75	\$16,513.75	\$10,890.00	\$27,403.75	\$484,000.00
2008	\$6,000.00	\$10,890.00	\$16,890.00	\$10,755.00	\$27,645.00	\$478,000.00
2009	\$6,000.00	\$10,755.00	\$16,755.00	\$10,620.00	\$27,375.00	\$472,000.00
2010	\$6,500.00	\$10,620.00	\$17,120.00	\$10,473.75	\$27,593.75	\$465,500.00
2011	\$7,000.00	\$10,473.75	\$17,473.75	\$10,316.25	\$27,790.00	\$458,500.00
2012	\$7,000.00	\$10,316.25	\$17,316.25	\$10,158.75	\$27,475.00	\$451,500.00
2013	\$7,500.00	\$10,158.75	\$17,658.75	\$9,990.00	\$27,648.75	\$444,000.00
2014	\$7,500.00	\$9,990.00	\$17,490.00	\$9,821.25	\$27,311.25	\$436,500.00
2015	\$8,000.00	\$9,821.25	\$17,821.25	\$9,641.25	\$27,462.50	\$428,500.00
2016	\$8,500.00	\$9,641.25	\$18,141.25	\$9,450.00	\$27,591.25	\$420,000.00
2017	\$9,000.00	\$9,450.00	\$18,450.00	\$9,247.50	\$27,697.50	\$411,000.00
2018	\$9,000.00	\$9,247.50	\$18,247.50	\$9,045.00	\$27,292.50	\$402,000.00
2019	\$9,500.00	\$9,045.00	\$18,545.00	\$8,831.25	\$27,376.25	\$392,500.00
2020	\$10,000.00	\$8,831.25	\$18,831.25	\$8,606.25	\$27,437.50	\$382,500.00
2021	\$10,500.00	\$8,606.25	\$19,106.25	\$8,370.00	\$27,476.25	\$372,000.00
2022	\$11,000.00	\$8,370.00	\$19,370.00	\$8,122.50	\$27,492.50	\$361,000.00
2023	\$11,500.00	\$8,122.50	\$19,622.50	\$7,863.75	\$27,486.25	\$349,500.00
2024	\$12,000.00	\$7,863.75	\$19,863.75	\$7,593.75	\$27,457.50	\$337,500.00
2025	\$12,500.00	\$7,593.75	\$20,093.75	\$7,312.50	\$27,406.25	\$325,000.00
2026	\$13,000.00	\$7,312.50	\$20,312.50	\$7,020.00	\$27,332.50	\$312,000.00
2027	\$13,500.00	\$7,020.00	\$20,520.00	\$6,716.25	\$27,236.25	\$298,500.00
2028	\$14,500.00	\$6,716.25	\$21,216.25	\$6,390.00	\$27,606.25	\$284,000.00
2029	\$15,000.00	\$6,390.00	\$21,390.00	\$6,052.50	\$27,442.50	\$269,000.00
2030	\$15,500.00	\$6,052.50	\$21,552.50	\$5,703.75	\$27,256.25	\$253,500.00
2031	\$16,500.00	\$5,703.75	\$22,203.75	\$5,332.50	\$27,536.25	\$237,000.00
2032	\$17,000.00	\$5,332.50	\$22,332.50	\$4,950.00	\$27,282.50	\$220,000.00
2033	\$18,000.00	\$4,950.00	\$22,950.00	\$4,545.00	\$27,495.00	\$202,000.00
2034	\$18,500.00	\$4,545.00	\$23,045.00	\$4,128.75	\$27,173.75	\$183,500.00
2035	\$19,500.00	\$4,128.75	\$23,628.75	\$3,690.00	\$27,318.75	\$164,000.00
2036	\$20,500.00	\$3,690.00	\$24,190.00	\$3,228.75	\$27,418.75	\$143,500.00
2037	\$21,000.00	\$3,228.75	\$24,228.75	\$2,756.25	\$26,985.00	\$122,500.00
2038	\$22,000.00	\$2,756.25	\$24,756.25	\$2,261.25	\$27,017.50	\$100,500.00
2039	\$23,000.00	\$2,261.25	\$25,261.25	\$1,743.75	\$27,005.00	\$77,500.00
2040	\$24,000.00	\$1,743.75	\$25,743.75	\$1,203.75	\$26,947.50	\$53,500.00
2041	\$25,500.00	\$1,203.75	\$26,703.75	\$630.00	\$27,333.75	\$28,000.00
2042	\$28,000.00	\$630.00	\$28,630.00	\$0.00	\$28,630.00	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$500,000.00	\$288,112.50		\$283,211.82	\$1,071,324.32	

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Western Fleming County Water District - Loan Number F08-01**

Loan Summary					
Borrower:	Western Fleming County Water District			Approval Date:	02-07-2008
Loan ID:	0575	KIA Loan Number:	F08-01	Maturity Date:	06-01-2041
Status:	Active	Interest Rate:	1.00%	R & M Reserve:	\$65,000.00
Loan Amount:	\$2,516,584.52	Pmt. Frequency	Semi-Annual		
AA Date:	10-01-2009	Supp. AA Date:			

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
12-01-2011	\$29,617.83	\$10,383.70	\$40,001.53	\$2,583.05	\$0.00	\$42,584.58	\$2,083,680.79	\$6,500.00	\$6,500.00
06-01-2012	\$30,450.74	\$10,361.39	\$40,812.13	\$2,604.60	\$0.00	\$43,416.73	\$2,389,083.25	\$0.00	\$6,500.00
12-01-2012	\$35,608.82	\$11,447.78	\$47,056.60	\$2,986.36	\$0.00	\$50,042.96	\$2,420,907.13	\$6,500.00	\$13,000.00
06-01-2013	\$36,812.25	\$11,980.70	\$48,792.95	\$3,026.13	\$0.00	\$51,819.08	\$2,384,094.88	\$0.00	\$13,000.00
12-01-2013	\$36,996.31	\$11,920.47	\$48,916.78	\$2,980.12	\$0.00	\$51,896.90	\$2,347,098.57	\$6,500.00	\$19,500.00
06-01-2014	\$37,181.29	\$11,735.49	\$48,916.78	\$2,933.87	\$0.00	\$51,850.65	\$2,309,917.28	\$0.00	\$19,500.00
12-01-2014	\$37,367.19	\$11,549.59	\$48,916.78	\$2,887.40	\$0.00	\$51,804.18	\$2,272,550.09	\$6,500.00	\$26,000.00
06-01-2015	\$37,554.04	\$11,362.74	\$48,916.78	\$2,840.70	\$0.00	\$51,757.48	\$2,234,996.05	\$0.00	\$26,000.00
12-01-2015	\$37,741.81	\$11,174.97	\$48,916.78	\$2,793.74	\$0.00	\$51,710.52	\$2,197,254.24	\$6,500.00	\$32,500.00
06-01-2016	\$37,930.51	\$10,986.27	\$48,916.78	\$2,746.56	\$0.00	\$51,663.34	\$2,159,323.73	\$0.00	\$32,500.00
12-01-2016	\$38,120.16	\$10,796.62	\$48,916.78	\$2,699.15	\$0.00	\$51,615.93	\$2,121,203.57	\$6,500.00	\$39,000.00
06-01-2017	\$38,310.77	\$10,606.01	\$48,916.78	\$2,651.51	\$0.00	\$51,568.29	\$2,082,892.80	\$0.00	\$39,000.00
12-01-2017	\$38,502.31	\$10,414.47	\$48,916.78	\$2,603.62	\$0.00	\$51,520.40	\$2,044,390.49	\$6,500.00	\$45,500.00
06-01-2018	\$38,694.82	\$10,221.96	\$48,916.78	\$2,555.49	\$0.00	\$51,472.27	\$2,005,695.67	\$0.00	\$45,500.00
12-01-2018	\$38,888.30	\$10,028.48	\$48,916.78	\$2,507.12	\$0.00	\$51,423.90	\$1,966,807.37	\$6,500.00	\$52,000.00
06-01-2019	\$39,082.75	\$9,834.03	\$48,916.78	\$2,458.51	\$0.00	\$51,375.29	\$1,927,724.62	\$0.00	\$52,000.00
12-01-2019	\$39,278.15	\$9,638.63	\$48,916.78	\$2,409.66	\$0.00	\$51,326.44	\$1,888,446.47	\$6,500.00	\$58,500.00
06-01-2020	\$39,474.54	\$9,442.24	\$48,916.78	\$2,360.55	\$0.00	\$51,277.33	\$1,848,971.93	\$0.00	\$58,500.00
12-01-2020	\$39,671.91	\$9,244.87	\$48,916.78	\$2,311.22	\$0.00	\$51,228.00	\$1,809,300.02	\$6,500.00	\$65,000.00
06-01-2021	\$39,870.28	\$9,046.50	\$48,916.78	\$2,261.63	\$0.00	\$51,178.41	\$1,769,429.74	\$0.00	\$65,000.00
12-01-2021	\$40,069.63	\$8,847.15	\$48,916.78	\$2,211.79	\$0.00	\$51,128.57	\$1,729,360.11	\$0.00	\$65,000.00
06-01-2022	\$40,269.99	\$8,646.79	\$48,916.78	\$2,161.70	\$0.00	\$51,078.48	\$1,689,090.12	\$0.00	\$65,000.00
12-01-2022	\$40,471.33	\$8,445.45	\$48,916.78	\$2,111.36	\$0.00	\$51,028.14	\$1,648,618.79	\$0.00	\$65,000.00
06-01-2023	\$40,673.68	\$8,243.10	\$48,916.78	\$2,060.77	\$0.00	\$50,977.55	\$1,607,945.11	\$0.00	\$65,000.00
12-01-2023	\$40,877.06	\$8,039.72	\$48,916.78	\$2,009.94	\$0.00	\$50,926.72	\$1,567,068.05	\$0.00	\$65,000.00
06-01-2024	\$41,081.44	\$7,835.34	\$48,916.78	\$1,958.84	\$0.00	\$50,875.62	\$1,525,986.61	\$0.00	\$65,000.00
12-01-2024	\$41,286.85	\$7,629.93	\$48,916.78	\$1,907.48	\$0.00	\$50,824.26	\$1,484,699.76	\$0.00	\$65,000.00
06-01-2025	\$41,493.28	\$7,423.50	\$48,916.78	\$1,855.87	\$0.00	\$50,772.65	\$1,443,206.48	\$0.00	\$65,000.00
12-01-2025	\$41,700.75	\$7,216.03	\$48,916.78	\$1,804.01	\$0.00	\$50,720.79	\$1,401,505.73	\$0.00	\$65,000.00
06-01-2026	\$41,909.25	\$7,007.53	\$48,916.78	\$1,751.89	\$0.00	\$50,668.67	\$1,359,596.48	\$0.00	\$65,000.00
12-01-2026	\$42,118.80	\$6,797.98	\$48,916.78	\$1,699.50	\$0.00	\$50,616.28	\$1,317,477.68	\$0.00	\$65,000.00
06-01-2027	\$42,329.38	\$6,587.40	\$48,916.78	\$1,646.84	\$0.00	\$50,563.62	\$1,275,148.30	\$0.00	\$65,000.00
12-01-2027	\$42,541.04	\$6,375.74	\$48,916.78	\$1,593.94	\$0.00	\$50,510.72	\$1,232,607.26	\$0.00	\$65,000.00
06-01-2028	\$42,753.74	\$6,163.04	\$48,916.78	\$1,540.76	\$0.00	\$50,457.54	\$1,189,853.52	\$0.00	\$65,000.00
12-01-2028	\$42,967.51	\$5,949.27	\$48,916.78	\$1,487.32	\$0.00	\$50,404.10	\$1,146,886.01	\$0.00	\$65,000.00
06-01-2029	\$43,182.35	\$5,734.43	\$48,916.78	\$1,433.61	\$0.00	\$50,350.39	\$1,103,703.66	\$0.00	\$65,000.00
12-01-2029	\$43,398.25	\$5,518.53	\$48,916.78	\$1,379.62	\$0.00	\$50,296.40	\$1,060,305.41	\$0.00	\$65,000.00

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Western Fleming County Water District - Loan Number F08-01**

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
06-01-2030	\$43,615.26	\$5,301.52	\$48,916.78	\$1,325.38	\$0.00	\$50,242.16	\$1,016,690.15	\$0.00	\$65,000.00
12-01-2030	\$43,833.32	\$5,083.46	\$48,916.78	\$1,270.86	\$0.00	\$50,187.64	\$972,856.83	\$0.00	\$65,000.00
06-01-2031	\$44,052.49	\$4,864.29	\$48,916.78	\$1,216.07	\$0.00	\$50,132.85	\$928,804.34	\$0.00	\$65,000.00
12-01-2031	\$44,272.76	\$4,644.02	\$48,916.78	\$1,161.01	\$0.00	\$50,077.79	\$884,531.58	\$0.00	\$65,000.00
06-01-2032	\$44,494.13	\$4,422.65	\$48,916.78	\$1,105.67	\$0.00	\$50,022.45	\$840,037.45	\$0.00	\$65,000.00
12-01-2032	\$44,716.60	\$4,200.18	\$48,916.78	\$1,050.05	\$0.00	\$49,966.83	\$795,320.85	\$0.00	\$65,000.00
06-01-2033	\$44,940.18	\$3,976.60	\$48,916.78	\$994.15	\$0.00	\$49,910.93	\$750,380.67	\$0.00	\$65,000.00
12-01-2033	\$45,164.87	\$3,751.91	\$48,916.78	\$937.98	\$0.00	\$49,854.76	\$705,215.80	\$0.00	\$65,000.00
06-01-2034	\$45,390.71	\$3,526.07	\$48,916.78	\$881.51	\$0.00	\$49,798.29	\$659,825.09	\$0.00	\$65,000.00
12-01-2034	\$45,617.65	\$3,299.13	\$48,916.78	\$824.78	\$0.00	\$49,741.56	\$614,207.44	\$0.00	\$65,000.00
06-01-2035	\$45,845.75	\$3,071.03	\$48,916.78	\$767.76	\$0.00	\$49,684.54	\$568,361.69	\$0.00	\$65,000.00
12-01-2035	\$46,074.97	\$2,841.81	\$48,916.78	\$710.45	\$0.00	\$49,627.23	\$522,286.72	\$0.00	\$65,000.00
06-01-2036	\$46,305.34	\$2,611.44	\$48,916.78	\$652.86	\$0.00	\$49,569.64	\$475,981.38	\$0.00	\$65,000.00
12-01-2036	\$46,536.88	\$2,379.90	\$48,916.78	\$594.97	\$0.00	\$49,511.75	\$429,444.50	\$0.00	\$65,000.00
06-01-2037	\$46,769.55	\$2,147.23	\$48,916.78	\$536.80	\$0.00	\$49,453.58	\$382,674.95	\$0.00	\$65,000.00
12-01-2037	\$47,003.40	\$1,913.38	\$48,916.78	\$478.34	\$0.00	\$49,395.12	\$335,671.55	\$0.00	\$65,000.00
06-01-2038	\$47,238.42	\$1,678.36	\$48,916.78	\$419.59	\$0.00	\$49,336.37	\$288,433.13	\$0.00	\$65,000.00
12-01-2038	\$47,474.62	\$1,442.16	\$48,916.78	\$360.53	\$0.00	\$49,277.31	\$240,958.51	\$0.00	\$65,000.00
06-01-2039	\$47,711.99	\$1,204.79	\$48,916.78	\$301.20	\$0.00	\$49,217.98	\$193,246.52	\$0.00	\$65,000.00
12-01-2039	\$47,950.55	\$966.23	\$48,916.78	\$241.56	\$0.00	\$49,158.34	\$145,295.97	\$0.00	\$65,000.00
06-01-2040	\$48,190.30	\$726.48	\$48,916.78	\$181.62	\$0.00	\$49,098.40	\$97,105.67	\$0.00	\$65,000.00
12-01-2040	\$48,431.26	\$485.52	\$48,916.78	\$121.38	\$0.00	\$49,038.16	\$48,674.41	\$0.00	\$65,000.00
06-01-2041	\$48,674.41	\$242.37	\$48,916.78	\$60.85	\$0.00	\$48,977.63	\$0.00	\$0.00	\$65,000.00
Totals:	\$2,516,584.52	\$399,418.37	\$2,916,002.89	\$100,011.60	\$0.00	\$3,016,014.49		\$65,000.00	

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Western Fleming County Water District - Loan Number F08-01**

Loan Summary					
Borrower:	Western Fleming County Water District			Approval Date:	02-07-2008
Loan ID:	0575	KIA Loan Number:	F08-01	Maturity Date:	06-01-2041
Status:	Active	Interest Rate:	1.00%	R & M Reserve:	\$65,000.00
Loan Amount:	\$2,516,584.52	Pmt. Frequency	Semi-Annual		
AA Date:	10-01-2009	Supp. AA Date:			

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
12-01-2011	\$29,617.83	\$10,383.70	\$40,001.53	\$2,583.05	\$0.00	\$42,584.58	\$2,083,680.79	\$6,500.00	\$6,500.00
06-01-2012	\$30,450.74	\$10,361.39	\$40,812.13	\$2,604.60	\$0.00	\$43,416.73	\$2,389,083.25	\$0.00	\$6,500.00
12-01-2012	\$35,608.82	\$11,447.78	\$47,056.60	\$2,986.36	\$0.00	\$50,042.96	\$2,420,907.13	\$6,500.00	\$13,000.00
06-01-2013	\$36,812.25	\$11,980.70	\$48,792.95	\$3,026.13	\$0.00	\$51,819.08	\$2,384,094.88	\$0.00	\$13,000.00
12-01-2013	\$36,996.31	\$11,920.47	\$48,916.78	\$2,980.12	\$0.00	\$51,896.90	\$2,347,098.57	\$6,500.00	\$19,500.00
06-01-2014	\$37,181.29	\$11,735.49	\$48,916.78	\$2,933.87	\$0.00	\$51,850.65	\$2,309,917.28	\$0.00	\$19,500.00
12-01-2014	\$37,367.19	\$11,549.59	\$48,916.78	\$2,887.40	\$0.00	\$51,804.18	\$2,272,550.09	\$6,500.00	\$26,000.00
06-01-2015	\$37,554.04	\$11,362.74	\$48,916.78	\$2,840.70	\$0.00	\$51,757.48	\$2,234,996.05	\$0.00	\$26,000.00
12-01-2015	\$37,741.81	\$11,174.97	\$48,916.78	\$2,793.74	\$0.00	\$51,710.52	\$2,197,254.24	\$6,500.00	\$32,500.00
06-01-2016	\$37,930.51	\$10,986.27	\$48,916.78	\$2,746.56	\$0.00	\$51,663.34	\$2,159,323.73	\$0.00	\$32,500.00
12-01-2016	\$38,120.16	\$10,796.62	\$48,916.78	\$2,699.15	\$0.00	\$51,615.93	\$2,121,203.57	\$6,500.00	\$39,000.00
06-01-2017	\$38,310.77	\$10,606.01	\$48,916.78	\$2,651.51	\$0.00	\$51,568.29	\$2,082,892.80	\$0.00	\$39,000.00
12-01-2017	\$38,502.31	\$10,414.47	\$48,916.78	\$2,603.62	\$0.00	\$51,520.40	\$2,044,390.49	\$6,500.00	\$45,500.00
06-01-2018	\$38,694.82	\$10,221.96	\$48,916.78	\$2,555.49	\$0.00	\$51,472.27	\$2,005,695.67	\$0.00	\$45,500.00
12-01-2018	\$38,888.30	\$10,028.48	\$48,916.78	\$2,507.12	\$0.00	\$51,423.90	\$1,966,807.37	\$6,500.00	\$52,000.00
06-01-2019	\$39,082.75	\$9,834.03	\$48,916.78	\$2,458.51	\$0.00	\$51,375.29	\$1,927,724.62	\$0.00	\$52,000.00
12-01-2019	\$39,278.15	\$9,638.63	\$48,916.78	\$2,409.66	\$0.00	\$51,326.44	\$1,888,446.47	\$6,500.00	\$58,500.00
06-01-2020	\$39,474.54	\$9,442.24	\$48,916.78	\$2,360.55	\$0.00	\$51,277.33	\$1,848,971.93	\$0.00	\$58,500.00
12-01-2020	\$39,671.91	\$9,244.87	\$48,916.78	\$2,311.22	\$0.00	\$51,228.00	\$1,809,300.02	\$6,500.00	\$65,000.00
06-01-2021	\$39,870.28	\$9,046.50	\$48,916.78	\$2,261.63	\$0.00	\$51,178.41	\$1,769,429.74	\$0.00	\$65,000.00
12-01-2021	\$40,069.63	\$8,847.15	\$48,916.78	\$2,211.79	\$0.00	\$51,128.57	\$1,729,360.11	\$0.00	\$65,000.00
06-01-2022	\$40,269.99	\$8,646.79	\$48,916.78	\$2,161.70	\$0.00	\$51,078.48	\$1,689,090.12	\$0.00	\$65,000.00
12-01-2022	\$40,471.33	\$8,445.45	\$48,916.78	\$2,111.36	\$0.00	\$51,028.14	\$1,648,618.79	\$0.00	\$65,000.00
06-01-2023	\$40,673.68	\$8,243.10	\$48,916.78	\$2,060.77	\$0.00	\$50,977.55	\$1,607,945.11	\$0.00	\$65,000.00
12-01-2023	\$40,877.06	\$8,039.72	\$48,916.78	\$2,009.94	\$0.00	\$50,926.72	\$1,567,068.05	\$0.00	\$65,000.00
06-01-2024	\$41,081.44	\$7,835.34	\$48,916.78	\$1,958.84	\$0.00	\$50,875.62	\$1,525,986.61	\$0.00	\$65,000.00
12-01-2024	\$41,286.85	\$7,629.93	\$48,916.78	\$1,907.48	\$0.00	\$50,824.26	\$1,484,699.76	\$0.00	\$65,000.00
06-01-2025	\$41,493.28	\$7,423.50	\$48,916.78	\$1,855.87	\$0.00	\$50,772.65	\$1,443,206.48	\$0.00	\$65,000.00
12-01-2025	\$41,700.75	\$7,216.03	\$48,916.78	\$1,804.01	\$0.00	\$50,720.79	\$1,401,505.73	\$0.00	\$65,000.00
06-01-2026	\$41,909.25	\$7,007.53	\$48,916.78	\$1,751.89	\$0.00	\$50,668.67	\$1,359,596.48	\$0.00	\$65,000.00
12-01-2026	\$42,118.80	\$6,797.98	\$48,916.78	\$1,699.50	\$0.00	\$50,616.28	\$1,317,477.68	\$0.00	\$65,000.00
06-01-2027	\$42,329.38	\$6,587.40	\$48,916.78	\$1,646.84	\$0.00	\$50,563.62	\$1,275,148.30	\$0.00	\$65,000.00
12-01-2027	\$42,541.04	\$6,375.74	\$48,916.78	\$1,593.94	\$0.00	\$50,510.72	\$1,232,607.26	\$0.00	\$65,000.00
06-01-2028	\$42,753.74	\$6,163.04	\$48,916.78	\$1,540.76	\$0.00	\$50,457.54	\$1,189,853.52	\$0.00	\$65,000.00
12-01-2028	\$42,967.51	\$5,949.27	\$48,916.78	\$1,487.32	\$0.00	\$50,404.10	\$1,146,886.01	\$0.00	\$65,000.00
06-01-2029	\$43,182.35	\$5,734.43	\$48,916.78	\$1,433.61	\$0.00	\$50,350.39	\$1,103,703.66	\$0.00	\$65,000.00
12-01-2029	\$43,398.25	\$5,518.53	\$48,916.78	\$1,379.62	\$0.00	\$50,296.40	\$1,060,305.41	\$0.00	\$65,000.00

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Western Fleming County Water District - Loan Number F08-01**

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
06-01-2030	\$43,615.26	\$5,301.52	\$48,916.78	\$1,325.38	\$0.00	\$50,242.16	\$1,016,690.15	\$0.00	\$65,000.00
12-01-2030	\$43,833.32	\$5,083.46	\$48,916.78	\$1,270.86	\$0.00	\$50,187.64	\$972,856.83	\$0.00	\$65,000.00
06-01-2031	\$44,052.49	\$4,864.29	\$48,916.78	\$1,216.07	\$0.00	\$50,132.85	\$928,804.34	\$0.00	\$65,000.00
12-01-2031	\$44,272.76	\$4,644.02	\$48,916.78	\$1,161.01	\$0.00	\$50,077.79	\$884,531.58	\$0.00	\$65,000.00
06-01-2032	\$44,494.13	\$4,422.65	\$48,916.78	\$1,105.67	\$0.00	\$50,022.45	\$840,037.45	\$0.00	\$65,000.00
12-01-2032	\$44,716.60	\$4,200.18	\$48,916.78	\$1,050.05	\$0.00	\$49,966.83	\$795,320.85	\$0.00	\$65,000.00
06-01-2033	\$44,940.18	\$3,976.60	\$48,916.78	\$994.15	\$0.00	\$49,910.93	\$750,380.67	\$0.00	\$65,000.00
12-01-2033	\$45,164.87	\$3,751.91	\$48,916.78	\$937.98	\$0.00	\$49,854.76	\$705,215.80	\$0.00	\$65,000.00
06-01-2034	\$45,390.71	\$3,526.07	\$48,916.78	\$881.51	\$0.00	\$49,798.29	\$659,825.09	\$0.00	\$65,000.00
12-01-2034	\$45,617.65	\$3,299.13	\$48,916.78	\$824.78	\$0.00	\$49,741.56	\$614,207.44	\$0.00	\$65,000.00
06-01-2035	\$45,845.75	\$3,071.03	\$48,916.78	\$767.76	\$0.00	\$49,684.54	\$568,361.69	\$0.00	\$65,000.00
12-01-2035	\$46,074.97	\$2,841.81	\$48,916.78	\$710.45	\$0.00	\$49,627.23	\$522,286.72	\$0.00	\$65,000.00
06-01-2036	\$46,305.34	\$2,611.44	\$48,916.78	\$652.86	\$0.00	\$49,569.64	\$475,981.38	\$0.00	\$65,000.00
12-01-2036	\$46,536.88	\$2,379.90	\$48,916.78	\$594.97	\$0.00	\$49,511.75	\$429,444.50	\$0.00	\$65,000.00
06-01-2037	\$46,769.55	\$2,147.23	\$48,916.78	\$536.80	\$0.00	\$49,453.58	\$382,674.95	\$0.00	\$65,000.00
12-01-2037	\$47,003.40	\$1,913.38	\$48,916.78	\$478.34	\$0.00	\$49,395.12	\$335,671.55	\$0.00	\$65,000.00
06-01-2038	\$47,238.42	\$1,678.36	\$48,916.78	\$419.59	\$0.00	\$49,336.37	\$288,433.13	\$0.00	\$65,000.00
12-01-2038	\$47,474.62	\$1,442.16	\$48,916.78	\$360.53	\$0.00	\$49,277.31	\$240,958.51	\$0.00	\$65,000.00
06-01-2039	\$47,711.99	\$1,204.79	\$48,916.78	\$301.20	\$0.00	\$49,217.98	\$193,246.52	\$0.00	\$65,000.00
12-01-2039	\$47,950.55	\$966.23	\$48,916.78	\$241.56	\$0.00	\$49,158.34	\$145,295.97	\$0.00	\$65,000.00
06-01-2040	\$48,190.30	\$726.48	\$48,916.78	\$181.62	\$0.00	\$49,098.40	\$97,105.67	\$0.00	\$65,000.00
12-01-2040	\$48,431.26	\$485.52	\$48,916.78	\$121.38	\$0.00	\$49,038.16	\$48,674.41	\$0.00	\$65,000.00
06-01-2041	\$48,674.41	\$242.37	\$48,916.78	\$60.85	\$0.00	\$48,977.63	\$0.00	\$0.00	\$65,000.00
Totals:	\$2,516,584.52	\$399,418.37	\$2,916,002.89	\$100,011.60	\$0.00	\$3,016,014.49		\$65,000.00	

Attachment #10

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Fleming Co. Water Dist. ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Billy Groves Money
(Print Name)

Billy Groves Money
(Signed)

Commissioner
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

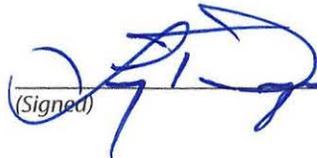
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Larry T. Ingram
(Print Name)


(Signed)

Vice Chair, Secretary, Treasurer
(Position/Office)

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**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between WESTERN FLEMING WATER DISTRICT ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

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VERNON BARTON
(Print Name)

Vernon Barton
(Signed)

Chairman
(Position/Office)

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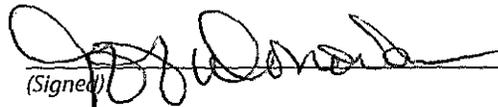
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Jeff DONOVAN
(Print Name)


(Signed)

Commissioner
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Western Fleming Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

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Daniel B. Hicks
(Print Name)


(Signed)

COMMISSIONER
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Fleming

Subscribed and sworn to before me by Daniel B. Hicks
(Name)

this 21st day of October, 20 21.

John C Price
NOTARY PUBLIC
State-at-Large
John C. Price
Expiration 6-21-23
Notary # 624545

Attachment #11

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE WESTERN FLEMING WATER DISTRICT PROPOSING ADJUSTMENTS TO ITS WATER RATES AND CHARGES AND AUTHORIZING ITS CHAIRMAN TO FILE AN APPLICATION WITH THE PSC SEEKING APPROVAL OF THE PROPOSED RATE ADJUSTMENT

WHEREAS, the Western Fleming Water District (“District”) is a water district created and organized under the provisions of KRS Chapter 74. The District is subject to the jurisdiction of the Kentucky Public Service Commission (“PSC”);

WHEREAS, prudent financial management dictates that the District take appropriate action to adjust its water rates and charges; and

WHEREAS, KRS 278.180 and 807 KAR 5:076 provide the legal mechanism for the District to propose adjustments to its water rates and charges;

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF WESTERN FLEMING WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. The District proposes to adjust its monthly water rates and charges as set forth in **Appendix A**, which is attached hereto and is incorporated herein by reference as a part of this Resolution. The proposed rates and charges set forth in **Appendix A** are subject to any minor adjustments that may be made by the PSC. The proposed rate adjustment shall not become effective until PSC approval has been obtained.

Section 3. The Chairman and Manager are hereby authorized and directed to prepare, execute, and file with the PSC, by utilizing the Alternative Rate Adjustment Procedure for Small Utilities set forth in 807 KAR 5:076, an Alternative Rate Filing (“ARF”) Application, Tariff Sheets, and all other documents that may be required by the PSC.

Section 4. The Chairman, Manager, and all others to whom the Chairman may delegate certain responsibilities are hereby further authorized and directed to take any and all other actions and to execute and deliver any and all other documents as may be reasonably necessary to implement this Resolution.

Section 5. This Resolution shall take effect upon its adoption.

ADOPTED BY THE COMMISSION OF WESTERN FLEMING WATER DISTRICT at a meeting held on October 21, 2021, signed by the Chairman, and attested by the Secretary.



CHAIRMAN

ATTEST:



SECRETARY

CERTIFICATION

I, Secretary of the Western Fleming Water District (the “District”), do hereby certify that the foregoing is a true copy of a Resolution duly adopted by the District at a meeting properly held on September 2, 2021, signed by the Chairman of the District, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 21st day of October 2021.



SECRETARY

APPENDIX A

CURRENT AND PROPOSED RATES WESTERN FLEMING COUNTY WATER DISTRICT

RETAIL RATES

Rate per Thousand Gallons

<u>per Month</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
First 1,000 Gallons	\$ 18.63	\$ 18.78	\$ 0.15
Next 6,000 Gallons	\$ 10.28	\$ 10.36	\$ 0.08
Next 3,000 Gallons	\$ 8.46	\$ 8.53	\$ 0.07
Over 10,000 Gallons	6.77	\$ 6.82	\$ 0.05

WHOLESALE RATE

Rate per Thousand Gallons

<u>per Month</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
For all Water Sold	\$ 2.14	\$ 2.16	\$ 0.02

WATER LOSS REDUCTION SURCHARGE

<u>Amount per Customer</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
<u>per month</u>	\$ -	\$ 1.46	\$ 1.46