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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)

South Woodford Water District

(Name of Utility)

117-D Crossfield Drive

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

Versailles, KY 40383

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

(859) 873-1308

(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:

Barry Drury, Chairman

(Name)

117-D Crossfield Drive

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

Versailles, KY 40383

(Address - City, State, Zip)

(859) 873-1308

(Telephone Number)

swwdistrict@aol.com

(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 \$ 95,921 and total revenues from service rates of \$ 839,798. 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 1,700 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. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant is required to file state and federal tax returns. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| c. Applicant's most recent state and federal tax returns are attached to this Application. (Attach a copy of returns.) | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 17. Approximately \$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. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

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

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

Signed 
Officer of the Company/Authorized Representative

Title Chairman

Date 3/10/22

COMMONWEALTH OF KENTUCKY

COUNTY OF Woodford

Before me appeared Barry Drury, Chairman, 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: 7/1/23

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
SOUTH WOODFORD 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. RD04 Loan Series 1996 A
 - ii. RD05 Loan Series 1996B
 - iii. RD06 Loan Series 1999A
 - iv. RD07 Loan Series 1999B
 - v. KRWFC Series 2007A
9. Amortization Schedules
10. Statements of Disclosure of Related Party Transactions
11. Board Resolution

Attachment #1

SOUTH WOODFORD WATER DISTRICT CUSTOMER NOTICE

Notice is hereby given that the South Woodford Water District expects to file an application with the Kentucky Public Service Commission on or about March 15, 2022, 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>CURRENT AND PROPOSED RATES</u> | | | | | |
|--|----------------|-----------------|-------------------|---------|--|
| SOUTH WOODFORD WATER DISTRICT | | | | | |
| <u>RETAIL RATES</u> | | | | | |
| <u>Rate per Thousand Gallons</u> | | | | | |
| <u>per Month</u> | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> | | |
| First 2,000 Gallons | \$ 20.48 | \$ 22.82 | \$ 2.34 | 11.43% | |
| Next 2,000 Gallons | \$ 4.99 | \$ 5.56 | \$ 0.57 | 11.42% | |
| Next 6,000 Gallons | \$ 4.78 | \$ 5.33 | \$ 0.55 | 11.51% | |
| Next 90,000 Gallons | \$ 4.45 | \$ 4.96 | \$ 0.51 | 11.46% | |
| Over 100,000 Gallons | 4.05 | \$ 4.51 | \$ 0.46 | 11.36% | |
| <u>WATER LOSS REDUCTION SURCHARGE</u> | | | | | |
| <u>Amount per Customer</u> | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> | | |
| <u>per month</u> | \$ - | \$ 3.87 | \$ 3.87 | 100.00% | |

If the Public Service Commission approves the proposed water rates, then the monthly water bill for a customer using an average of 4,000 gallons per month will increase from \$30.46 to \$33.94. This is an increase of \$3.48 or 11.42%.

The rates contained in this notice are the rates proposed by South Woodford 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.

South Woodford 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 117 Crossfield Drive, Versailles, KY 40383. You may contact the office at 859-873-1308.

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

South Woodford Water District (“the District”) is requesting a 11.4 percent rate increase for all of its water customers. The rate increase will generate approximately \$95,921 in additional annual revenue. A Water Loss Reduction Surcharge of \$3.87 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
SOUTH WOODFORD WATER DISTRICT

RETAIL RATES

Rate per Thousand Gallons

| <u>per Month</u> | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> | |
|----------------------|----------------|-----------------|-------------------|--------|
| First 2,000 Gallons | \$ 20.48 | \$ 22.82 | \$ 2.34 | 11.43% |
| Next 2,000 Gallons | \$ 4.99 | \$ 5.56 | \$ 0.57 | 11.42% |
| Next 6,000 Gallons | \$ 4.78 | \$ 5.33 | \$ 0.55 | 11.51% |
| Next 90,000 Gallons | \$ 4.45 | \$ 4.96 | \$ 0.51 | 11.46% |
| Over 100,000 Gallons | 4.05 | \$ 4.51 | \$ 0.46 | 11.36% |

WATER LOSS REDUCTION SURCHARGE

| <u>Amount per Customer</u> | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> | |
|----------------------------|----------------|-----------------|-------------------|---------|
| <u>per month</u> | \$ - | \$ 3.87 | \$ 3.87 | 100.00% |

Attachment #4

SCHEDULE OF ADJUSTED OPERATIONS

South Woodford Water District

| | <u>Test Year</u> | <u>Adjustments</u> | <u>Ref.</u> | <u>Proforma</u> |
|---------------------------------------|------------------|--------------------|-------------|-----------------|
| <u>Operating Revenues</u> | | | | |
| Total Metered Retail Sales | 846,168 | (6,370) | A | 839,798 |
| Private Fire Protection | - | | | - |
| Sales for Resale | - | | | - |
| Other Water Revenues: | | | | |
| Forfeited Discounts | - | | | - |
| Misc. Service Revenues | - | | | - |
| Other Water Revenues | <u>10,302</u> | <u>-</u> | | <u>10,302</u> |
| Total Operating Revenues | 856,470 | (6,370) | | 850,100 |
| <u>Operating Expenses</u> | | | | |
| Operation and Maintenance | | | | |
| Salaries and Wages - Employees | 39,055 | | | 39,055 |
| Salaries and Wages - Officers | 10,800 | | | 10,800 |
| Employee Pensions and Benefits | - | 344 | B | 344 |
| Purchased Water | 492,989 | (72,122) | C | 420,867 |
| Purchased Power | 32,896 | (4,813) | C | 28,083 |
| Chemicals | | | | - |
| Materials and Supplies | 94,199 | (15,540) | D | 78,659 |
| Contractual Services - Accounting | 8,560 | | | 8,560 |
| Contractual Services - Management | 54,000 | (3,600) | E | 50,400 |
| Contractual Services - Other | 30,004 | (6,660) | D | |
| | | 42,732 | L | |
| | | 228 | F | 66,304 |
| Rental of Building/Real Property | 12,000 | | | 12,000 |
| Transportation Expenses | - | | | - |
| Insurance - General Liability | 21,030 | (1,105) | G | 19,925 |
| Insurance - Other | - | | | - |
| Bad Debt | - | | | - |
| Miscellaneous Expenses | <u>11,370</u> | <u>-</u> | | <u>11,370</u> |
| Total Operation and Mnt. Expenses | 806,903 | (60,535) | | 746,368 |
| Depreciation Expense | 100,346 | (5,448) | H | 94,898 |
| Taxes Other Than Income | <u>5,581</u> | <u>(826)</u> | I | <u>4,755</u> |
| Total Operating Expenses | 912,830 | (66,809) | | 846,021 |
| Total Utility Operating Income | (56,360) | 60,440 | | 4,080 |

REVENUE REQUIREMENTS

| | |
|--|----------------|
| Pro Forma Operating Expenses | 846,021 |
| Plus: Average Annual Principal and Interest Payments | J 83,626 |
| Additional Working Capital | K 16,725 |
| Total Revenue Requirement | 946,372 |
| Less: Other Operating Revenue | 10,302 |
| Private Fire Protection | - |
| Interest Income | <u>351</u> |
| Revenue Required From Sales of Water | 935,719 |
| Less: Revenue from Sales with Present Rates | <u>839,798</u> |
| Required Revenue Increase | 95,921 |
| Percent Increase | 11.42% |

REFERENCES

- A. The Current Billing Analysis results in pro forma Metered Sales Revenue of \$839,798. This reflects a full year at the retail rates that were effective in 2020 and indicates a reduction to reported Metered Sales of \$6,370 is required.
- B. The District pays 100 percent of its employees' dental insurance premiums. The PSC limits expenses associated with dental insurance premiums to 60 percent for single and family coverages. Applying that percentage to premiums to be paid in the current year results in an allowed Benefits Expense of \$344.
- C. The District's test year water loss was 29.63 percent. The PSC's maximum allowable loss for rate-making purposes is 15.0 percent. Therefore, the expenses for Purchased Water above the 15 percent limit are not allowed in the rate base and must be deducted resulting in a decrease of \$72,122. Similarly, the adjustment to expenses for Purchased Power resulted in a decrease of \$4,813.
- D. The District collected \$22,200 in tapping fees in 2020. These taps were installed by District contractors and were recorded as Contractual Services-Other and Materials Expenses. Contractual Services-Other Expense has been reduced by \$6,660 or 30% of the tapping fees while Materials and Supplies Expense has been reduced by \$15,540 or 70% of the tapping fees.
- E. The District recently entered into a new contract for system management for a lower annual cost, resulting in an adjustment to decrease Contractual Services-Management by \$3,600.
- F. The amount shown on the 2020 PSC Annual Report for Contractual Services-Other has been adjusted with an increase of \$228 to reflect the correct amount.
- G. The annual cost of dental insurance was previously included as Insurance-Other Expense. An adjustment has been made to remove the full amount of \$1,105, with the allowed amount added to Employee Pensions and Benefits Expense in Item B above.
- H. The PSC requires adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Utilities". Therefore, adjustments are included to bring asset lives to the midpoint of the recommended ranges resulting in a decrease of depreciation expense of \$5,448 as detailed in attached Table A.
- I. Payroll taxes as computed are lower than reported in the 2020 PSC Annual Report, resulting in an adjustment to decrease by \$826.
- J. The annual debt service payments for loans are shown in Table B. The five-year average of these payments in the amount of \$83,626 is added in the revenue requirement calculation.
- K. The coverage on long term debt required by the Authority's loan documents in the amount of \$16,725 is included in the revenue requirement as Additional Working Capital.

- L. The cost of meter reading is increasing by \$3,000 per month plus \$0.33 per account per month for a total of \$42,732 annually.

Table A
DEPRECIATION EXPENSE ADJUSTMENTS
South Woodford 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 | varies | \$ 2,380 | varies | 45 | 37.5 | 63 | 18 |
| Communication & Computer Eqmt. | varies | \$ 10,644 | varies | 1,064 | 10.0 | 1,064 | - |
| Office Furniture & Equipment | | | | | 22.5 | - | - |
| Power Operated Equipment | varies | \$ - | varies | - | 12.5 | - | - |
| Tools, Shop, & Garage Equipment | | | | | 17.5 | - | - |
| Tank Repairs & Painting | | | | | 15.0 | - | - |
| <u>Source of Supply Plant</u> | | | | | | | |
| Collecting & Impounding Reservoirs | | | | | 62.5 | - | - |
| Supply Mains | | | | | 62.5 | - | - |
| <u>Pumping Plant</u> | | | | | | | |
| Structures & Improvements | | | | | 37.5 | - | - |
| Telemetry | varies | \$ - | varies | - | 10.0 | - | - |
| Pumping Equipment | | | | | 20.0 | - | - |
| <u>Transmission & Distribution Plant</u> | | | | | | | |
| Hydrants | varies | \$ 126,253 | varies | 2,992 | 50.0 | 2,992 | - |
| Transmission & Distribution Mains | varies | \$ 4,035,094 | varies | 68,943 | 62.5 | 64,562 | (4,382) |
| Meter Installations | varies | \$ 421,061 | varies | 8,569 | 45.0 | 9,357 | 788 |
| Meter Change-outs | | | | | 15.0 | - | - |
| Pump Equipment | varies | \$ 5,043 | varies | 48 | 20.0 | 252 | 204 |
| Tank Fence | | | | | 37.5 | - | - |
| Services | | | | | 40.0 | - | - |
| Reservoirs & Tanks | varies | \$ 747,392 | varies | 18,685 | 45.0 | 16,609 | (2,076) |
| Tank Painting & Repairs | | | | | 15.0 | - | - |
| <u>Transportation Equipment</u> | | | | | | | |
| Entire Group | | | | | 7.0 | - | - |
| <u>Water Treatment Plant</u> | | | | | | | |
| Structures and Improvements | | | | | 62.5 | - | - |
| Water Treatment Equipment | | | | | 27.5 | - | - |
| TOTALS | | \$ 5,347,867 | | \$ 100,346 | | \$ 94,899 | \$ (5,448) |

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

Table B
DEBT SERVICE SCHEDULE
South Woodford 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> | <u>Principal</u> | <u>Interest & Fees</u> | <u>Principal</u> | <u>Interest & Fees</u> | <u>Principal</u> | <u>Interest & Fees</u> | <u>Principal</u> | <u>Interest & Fees</u> | |
| | RD04 Loan Series 1996 A | 16,000 | 6,011 | 16,900 | 5,131 | 17,800 | 4,202 | 18,800 | 3,223 | 19,800 | |
| RD05 Loan Series 1996B | 6,700 | 1,569 | 7,000 | 1,209 | 7,400 | 833 | 8,100 | 435 | - | - | 33,246 |
| RD06 Loan Series 1999A | 7,400 | 8,570 | 7,700 | 8,246 | 8,000 | 7,910 | 8,400 | 7,560 | 8,800 | 7,192 | 79,778 |
| RD07 Loan Series 1999B | 1,300 | 1,600 | 1,300 | 1,600 | 1,400 | 1,500 | 1,400 | 1,500 | 1,500 | 1,400 | 14,500 |
| KRWFC Series 2007A | 20,917 | 11,301 | 21,917 | 10,133 | 22,917 | 9,490 | 23,917 | 8,504 | 24,917 | 7,476 | 161,487 |
| Replenish Depreciation Fund | 10,680 | - | 8,384 | - | - | - | - | - | - | - | 19,064 |
| TOTALS | 62,997 | 29,051 | 63,201 | 26,319 | 57,517 | 23,935 | 60,617 | 21,222 | 55,017 | 18,257 | \$ 418,131 |
| Average Annual Principal & Interest | | | | | | | | | | | \$ 83,626 |
| Average Annual Coverage | | | | | | | | | | | \$ 16,725 |

Attachment #5

2020 CURRENT BILLING ANALYSIS

South Woodford Water District

Summary

| Customer Class | # of Bills | Gallons Sold | Revenue |
|------------------------|------------|--------------|---|
| Residential/Commercial | 19,889 | 128,097,900 | \$ 844,374 |
| Less Adjustments | | | \$ (4,576) |
| Net Retail | | | \$ 839,798 |
| From PSC Annual Report | | | \$ 846,168 |
| Difference | | | \$ (6,370) Adjustment to SAO Billed Retail Revenues |

| | Usage | Bills | Gallons | First 2000 | Next 2000 | Next 6,000 | Next 90,000 | Over 100,000 | Total |
|--------|---------|--------|-------------|---------------|--------------|---------------|----------------|-----------------|-------------|
| First | 2,000 | 4,922 | 4,582,700 | 4,582,700 | - | - | - | - | 4,582,700 |
| Next | 2,000 | 5,601 | 16,934,400 | 11,202,000 | 5,732,400 | - | - | - | 16,934,400 |
| Next | 6,000 | 6,866 | 41,902,000 | 13,732,000 | 13,732,000 | 14,438,000 | - | - | 41,902,000 |
| Next | 90,000 | 2,412 | 50,093,500 | 4,824,000 | 4,824,000 | 14,472,000 | 25,973,500 | - | 50,093,500 |
| Over | 100,000 | 88 | 14,585,300 | 176,000 | 176,000 | 528,000 | 7,920,000 | 5,785,300 | 14,585,300 |
| TOTALS | | 19,889 | 128,097,900 | 34,516,700 | 24,464,400 | 29,438,000 | 33,893,500 | 5,785,300 | 128,097,900 |

REVENUE BY RATE INCREMENT

| | Bills | Gallons | Rate | Revenue |
|-------|---------|-------------|---------------|------------------|
| First | 2000 | 19,889 | 34,516,700 \$ | 20.48 \$ 407,327 |
| Next | 2000 | | 24,464,400 \$ | 4.99 \$ 122,077 |
| Next | 6000 | | 29,438,000 \$ | 4.78 \$ 140,714 |
| Next | 90,000 | | 33,893,500 \$ | 4.45 \$ 150,826 |
| Over | 100,000 | | 5,785,300 \$ | 4.05 \$ 23,430 |
| TOTAL | | 128,097,900 | | \$ 844,374 |

Attachment #6

2020 PROPOSED BILLING ANALYSIS

South Woodford Water District

Summary

| Customer Class | # of Bills | Gallons Sold | Revenue |
|---------------------------------|------------|--------------|------------|
| Residential/Commercial | 19,889 | 128,097,900 | \$ 940,997 |
| Less Adjustments | | | \$ (4,576) |
| Net Retail | | | \$ 936,421 |
| Revenue Required from New Rates | | | \$ 935,719 |
| Difference | | | 702 |
| Percent | | | 0.08% |

| | Usage | Bills | Gallons | First 2000 | Next 2000 | Next 6,000 | Next 90,000 | Over 100,000 | Total |
|--------|---------|--------|-------------|---------------|--------------|---------------|----------------|-----------------|-------------|
| First | 2,000 | 4,922 | 4,582,700 | 4,582,700 | - | - | - | - | 4,582,700 |
| Next | 2,000 | 5,601 | 16,934,400 | 11,202,000 | 5,732,400 | - | - | - | 16,934,400 |
| Next | 6,000 | 6,866 | 41,902,000 | 13,732,000 | 13,732,000 | 14,438,000 | - | - | 41,902,000 |
| Next | 90,000 | 2,412 | 50,093,500 | 4,824,000 | 4,824,000 | 14,472,000 | 25,973,500 | - | 50,093,500 |
| Over | 100,000 | 88 | 14,585,300 | 176,000 | 176,000 | 528,000 | 7,920,000 | 5,785,300 | 14,585,300 |
| TOTALS | | 19,889 | 128,097,900 | 34,516,700 | 24,464,400 | 29,438,000 | 33,893,500 | 5,785,300 | 128,097,900 |

REVENUE BY RATE INCREMENT

| | Bills | Gallons | Rate | Revenue |
|-------|---------|-------------|----------|------------|
| First | 2000 | 19,889 | \$ 22.82 | \$ 453,867 |
| Next | 2000 | | \$ 5.56 | \$ 136,022 |
| Next | 6000 | | \$ 5.33 | \$ 156,905 |
| Next | 90,000 | | \$ 4.96 | \$ 168,112 |
| Over | 100,000 | | \$ 4.51 | \$ 26,092 |
| TOTAL | | 128,097,900 | | \$ 940,997 |

Attachment #7

SOUTH WOODFORD WATER DISTRICT
Depreciation Schedule
DECEMBER 31, 2020

| Date | Description | | Life | Cost/Price | Depr Expense 2020 | Accum. Depreciation 12/31/2020 |
|------|---|------------------------|------|------------------|-------------------------|--------------------------------------|
| 1976 | C.B. RADIO | Computer | 5 | | - | 215.00 |
| 1988 | COMPUTER | Computer | 5 | | - | 8,820.00 |
| 1993 | COMPUTER EQUIPMENT | Computer | 5 | | - | 1,936.30 |
| 1993 | PHONE | Computer | 5 | | - | 2,836.30 |
| 2001 | Computer & Printer | Computer | 5 | | - | 1,476.37 |
| 2002 | Monitor, Printer, Color Copier, & Phone | Computer | 5 | | - | 4,801.37 |
| 2003 | PRINTER | Computer | 3 | | - | 150.00 |
| 2004 | COMPUTER & MONITOR | Computer | 5 | | - | 765.00 |
| 2006 | Motorboard | Computer | 5 | | - | 2,552.00 |
| 2009 | Computer Backup Drives | Computer | 5 | | - | 600.00 |
| 2009 | HP Compaq dc5800 Computer | Computer | 5 | | - | 1,000.00 |
| 2009 | HP LaserJet P4014dn Printer | Computer | 5 | | - | 1,179.00 |
| 2009 | United Computer Software | Computer | 3 | | - | 11,639.00 |
| 2014 | Computer System | Computer | 10 | 3,352.00 | 335.20 | 2,346.40 |
| 2017 | RTU M1600 reader | Computer | 10 | 7,292.00 | 729.20 | 2,187.60 |
| | | Computer Total | | 10,644.00 | 1,064.40 | |
| 1990 | EQUIPMENT | Equipment | 10 | | - | 2,596.00 |
| 1990 | EQUIPMENT | Equipment | 5 | | - | 1,225.00 |
| 2003 | CHAINSAW | Equipment | 5 | | - | 440.91 |
| 2003 | EQUIPMENT | Equipment | 5 | | - | 878.00 |
| | | Equipment Total | | 0.00 | - | |
| 1979 | HYDRANTS | Hydrants | 40 | 4,478.35 | 40.55 | 3,647.06 |
| 1994 | FIRE HYDRANTS | Hydrants | 10 | | - | 10,889.54 |
| 2004 | HYDRANTS | Hydrants | 10 | 15,350.00 | 290.41 | 8,648.90 |
| 2009 | Flushing Hydrants and Valves | Hydrants | 40 | 19,100.00 | 477.50 | 5,730.00 |
| 2009 | Hydrants | Hydrants | 40 | 3,750.00 | 93.75 | 1,125.00 |
| 2010 | Flushing Hydrants and Valves | Hydrants | 40 | 7,726.00 | 193.15 | 2,124.65 |
| 2011 | Flushing Hydrants and Valves | Hydrants | 40 | 11,750.00 | 293.75 | 2,937.50 |
| 2012 | Flushing Hydrants and Valves | Hydrants | 40 | 2,830.00 | 70.75 | 636.75 |
| 2013 | Flushing Hydrants and Valves | Hydrants | 40 | 18,190.00 | 454.75 | 3,638.00 |
| 2014 | Flushing Hydrants and Valves | Hydrants | 40 | 20,534.00 | 513.35 | 3,593.45 |
| 2015 | Flushing Hydrants and Valves | Hydrants | 40 | 8,945.00 | 223.63 | 1,341.75 |
| 2018 | Hydrants | Hydrants | 40 | 5,300.00 | 132.50 | 397.50 |
| 2020 | Hydrants | Hydrants | 40 | 8,300.00 | 207.50 | 207.50 |

| | | | | | | |
|------|--|-----------------------|------|--------------|-----------|------------|
| | | Hydrants Total | | 126,253.35 | 2,991.58 | |
| 1995 | LAND FOR WATER TOWER | Land | | | | |
| 2007 | Land For Phase IV Project | Land | | | | |
| | | Land Total | | - | 0 | |
| 1974 | ADDITIONS | Mains | 40 | | - | 8,059.10 |
| 1974 | PATER. & OREGON PIKE | Mains | 40 | 18,000.00 | 114.41 | 16,226.69 |
| 1975 | ADDITIONS | Mains | 40 | 9,296.14 | 64.81 | 8,226.79 |
| 1975 | CLEAR CREEK WATER EXT | Mains | 40 | 22,000.00 | 153.28 | 19,470.90 |
| 1975 | FORDS MILL & OREGON WATER | Mains | 40 | 35,000.00 | 243.84 | 30,976.70 |
| 1977 | CLOVER BOTTOM WATER EXT | Mains | 40 | 42,500.00 | 343.08 | 36,153.08 |
| 1988 | LINE EXTENSION | Mains | 30 | 50,806.67 | 812.91 | 39,099.67 |
| 1989 | LIL FERRY RL WATER ASSN | Mains | 40 | 8,092.45 | 100.03 | 5,041.44 |
| 1990 | ENGINEER | Mains | 10 | | - | 880.00 |
| 1991 | ENGINEER | Mains | 10 | | - | 375.00 |
| 1992 | LINE EXTENSION | Mains | 10 | | - | 4,090.00 |
| 1993 | LINE EXTENSIONS | Mains | 10 | | - | 31,990.72 |
| 1994 | LINE EXTENSIONS | Mains | 10 | | - | 44,938.74 |
| 1996 | KU & JONES LINE EXT | Mains | 10 | | - | 39,089.50 |
| 1997 | Line Extensions | Mains | 10 | | - | 77,014.68 |
| 1998 | Line Extensions | Mains | 10 | 17,460.00 | 32.64 | 16,170.90 |
| 1999 | Line extensions | Mains | 10 | 30,049.00 | 110.27 | 25,583.00 |
| 2000 | LINE EXTENSION | Mains | 30 | 1,086,819.55 | 17,389.11 | 467,695.76 |
| 2000 | LINE EXTENSION | Mains | 30 | 81,381.60 | 1,302.11 | 27,088.83 |
| 2002 | LINE EXTENSION, RELOCATION | Mains | 30 | 18,400.00 | 294.40 | 5,778.40 |
| 2003 | LINE EXTENSIONS | Mains | 40 | 23,540.00 | 362.15 | 7,400.98 |
| 2003 | WATER LINE RELOCATION | Mains | 40 | 79,529.41 | 1,223.53 | 25,004.05 |
| 2004 | LINE EXTENSION | Mains | 40 | 148,084.06 | 2,369.34 | 40,534.95 |
| 2004 | WATER LINE RELOCATION | Mains | 40 | 1,717.71 | 26.70 | 501.40 |
| 2005 | Additional Capitalized Cost for Project | Mains | 40 | 3,417.94 | 54.69 | 928.38 |
| 2005 | OTHER ADDITIONS (meters, new line ext) | Mains | 10 | 57,770.81 | 1,216.23 | 28,520.54 |
| 2006 | Other Additions (meters, hydrants, etc.) | Mains | 10 | 36,752.00 | 848.12 | 15,527.72 |
| 2007 | Other Additions (New lines, etc.) | Mains | 40 | 30,555.00 | 488.88 | 6,844.32 |
| 2008 | Creek Crossing | Mains | 62.5 | 18,500.00 | 296.00 | 3,848.00 |
| 2008 | Line Extensions | Mains | 62.5 | 12,725.00 | 203.60 | 2,646.80 |
| 2008 | Line Extensions | Mains | 62.5 | 1,400.00 | 22.40 | 291.20 |
| 2008 | Line Extensions | Mains | 62.5 | 24,360.00 | 389.76 | 5,066.88 |
| 2009 | Creek Crossing - Craigs Creek | Mains | 62.5 | 9,700.00 | 155.20 | 1,862.40 |
| 2009 | Creek Crossing - Hiefner | Mains | 62.5 | 4,250.00 | 68.00 | 816.00 |
| 2009 | Cummins Ferry Pump Rebuild | Mains | 10 | | - | 3,712.50 |
| 2009 | Line Extensions | Mains | 62.5 | 22,297.00 | 356.75 | 4,281.02 |

| | | | | | | |
|------------|-------------------------------|--------------------|------|---------------------|------------------|------------|
| 2010 | Line Extensions | Mains | 62.5 | 27,117.00 | 437.37 | 4,811.08 |
| 2011 | New Lines Extensions | Mains | 62.5 | 20,300.00 | 324.80 | 3,248.00 |
| 2012 | New Line Extensions | Mains | 62.5 | 14,110.00 | 225.76 | 2,031.84 |
| 2013 | New Line Extensions | Mains | 62.5 | 3,100.00 | 49.60 | 396.80 |
| 2014 | KY 169 Ext | Mains | 62.5 | 181,695.00 | 2,907.12 | 20,349.84 |
| 2014 | New Line Extensions | Mains | 62.5 | 22,063.00 | 353.01 | 2,471.06 |
| 2015 | New Line Extensions | Mains | 62.5 | 7,016.00 | 112.26 | 673.54 |
| 2020 | Water Line Relocation | Mains | 63 | 69,234.00 | 1,098.95 | 1,098.95 |
| 7-1-69 | NET ORIGINAL COST | Mains | 40 | 458,272.56 | 1,168.92 | 445,998.90 |
| 12/31/2007 | Line Extension | Mains | 40 | 1,310,722.00 | 32,768.05 | 425,984.65 |
| 5/8/2008 | Additional Phase IV Expense | Mains | 40 | 2,490.00 | 62.25 | 809.25 |
| 8/11/2008 | Shyrocks Ferry Creek Crossing | Mains | 62.5 | 24,570.00 | 393.12 | 5,110.56 |
| | | Mains Total | | 4,035,093.90 | 68,943.44 | |
| 1972 | METERS | Meters | 10 | | - | 4,521.41 |
| 1973 | METERS | Meters | 10 | | - | 1,997.64 |
| 1974 | METERS | Meters | 10 | | - | 12,340.87 |
| 1975 | METERS | Meters | 10 | | - | 5,893.22 |
| 1976 | METERS | Meters | 10 | | - | 4,869.82 |
| 1977 | METERS | Meters | 10 | | - | 7,675.04 |
| 1978 | METERS | Meters | 10 | | - | 11,776.73 |
| 1979 | METERS | Meters | 10 | | - | 9,204.99 |
| 1980 | METERS | Meters | 10 | | - | 7,614.59 |
| 1981 | METERS | Meters | 10 | | - | 13,661.54 |
| 1982 | METERS | Meters | 10 | | - | 6,204.30 |
| 1983 | METERS | Meters | 10 | | - | 7,657.69 |
| 1984 | METERS | Meters | 10 | | - | 3,392.52 |
| 1985 | METERS | Meters | 10 | | - | 4,544.94 |
| 1986 | METERS | Meters | 10 | | - | 10,422.15 |
| 1987 | METERS | Meters | 10 | | - | 18,856.17 |
| 1988 | METERS | Meters | 10 | | - | 16,684.65 |
| 1989 | METERS | Meters | 10 | | - | 15,002.30 |
| 1990 | METERS | Meters | 10 | | - | 10,301.25 |
| 1991 | METERS | Meters | 10 | | - | 3,450.00 |
| 1992 | METERS | Meters | 10 | | - | 25,789.71 |
| 1993 | METERS | Meters | 10 | | - | 8,719.31 |
| 1994 | METERS | Meters | 10 | | - | 2,761.00 |
| 1995 | METERS | Meters | 10 | | - | 7,650.00 |
| 1996 | METERS | Meters | 10 | | - | 5,297.11 |
| 1997 | METERS | Meters | 10 | | - | 7,704.24 |
| 2000 | METERS | Meters | 10 | 34,975.00 | 317.95 | 28,878.22 |
| 2001 | METERS | Meters | 10 | 38,023.60 | 447.34 | 29,009.77 |

| | | | | | | |
|-----------|--------------------------|------------------------|----|--------------|------------|------------|
| 2002 | METERS | Meters | 10 | 33,613.39 | 480.19 | 23,469.35 |
| 2003 | METERS | Meters | 10 | 29,386.44 | 489.77 | 18,562.43 |
| 2004 | METERS | Meters | 10 | 26,975.00 | 510.34 | 15,198.95 |
| 2007 | Flow Meters | Meters | 5 | 5,141.00 | - | 5,141.00 |
| 2009 | Meters | Meters | 40 | 19,315.00 | 482.88 | 5,794.50 |
| 2010 | New Meters | Meters | 40 | 12,245.00 | 306.13 | 3,367.38 |
| 2011 | New Meters | Meters | 40 | 27,210.00 | 680.25 | 6,802.50 |
| 2012 | New Meters | Meters | 40 | 25,147.00 | 628.68 | 5,658.08 |
| 2013 | New Meters | Meters | 40 | 19,582.00 | 489.55 | 3,916.40 |
| 2014 | New Meters | Meters | 40 | 19,496.00 | 487.40 | 3,411.80 |
| 2015 | New Meters | Meters | 40 | 14,675.00 | 366.88 | 2,201.25 |
| 2016 | New Meters | Meters | 40 | 17,643.00 | 441.08 | 2,205.38 |
| 2017 | New Meters | Meters | 40 | 17,835.00 | 445.88 | 1,783.50 |
| 2018 | New Meters | Meters | 40 | 28,302.00 | 707.55 | 2,122.65 |
| 2019 | New Meters | Meters | 40 | 15,080.00 | 377.00 | 754.00 |
| 2020 | New Meters | Meters | 40 | 36,417.00 | 910.43 | 910.43 |
| | | Meters Total | | 421,061.43 | 8,569.27 | |
| 1991 | GATE ADDITION | Office | 10 | | - | 8,467.65 |
| 2003 | OFFICE FURNITURE | Office | 5 | | - | 2,229.91 |
| 2004 | OTHER ADDITIONS | Office | 10 | 2,380.00 | 45.03 | 1,341.00 |
| | | Office Total | | 2,380.00 | 45.03 | |
| 1980 | PRESSURE REDUCING VALVES | Pump | 40 | 5,042.88 | 47.96 | 4,011.65 |
| 1991 | PUMP | Pump | 10 | | - | 15,512.88 |
| 2009 | Hwy 33 Pump Rebuild | Pump | 10 | | - | 3,300.00 |
| | | Pump Total | | 5,042.88 | 47.96 | |
| 1987 | WATER TOWER | Tank | 30 | 225,662.84 | 5,641.57 | 207,609.49 |
| 1990 | CHOLORINATOR | Tank | 10 | | - | 7,748.60 |
| 1998 | Tank | Tank | 40 | 481,598.21 | 12,039.96 | 276,918.97 |
| 1999 | Tank | Tank | 40 | 40,130.45 | 1,003.26 | 22,071.75 |
| 2009 | Altitude Valve for Tank | Tank | 10 | | - | 3,405.60 |
| | | Tank Total | | 747,391.50 | 18,684.79 | |
| 1980 | ECOLOGY EQUIP TEST | Telemetry | 5 | | - | 823.68 |
| 2007 | 2 Pressure Recorders | Telemetry | 5 | | - | 1,103.00 |
| 5/12/2008 | SCADA Telemetry System | Telemetry | 10 | | 0.00 | 66,241.00 |
| | | Telemetry Total | | - | 0.00 | |
| | | Grand Total | | 5,347,867.06 | 100,346.47 | |

Attachment #8

NUMBER

R-1



The holder of this Bond has consented to the issuance of \$490,000 of bonds ranking on a parity as to security and source of payment with this bond.

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF WOODFORD

SOUTH WOODFORD COUNTY WATER DISTRICT WATERWORKS SYSTEM REVENUE BOND, 1996 SERIES A

KNOW ALL MEN BY THESE PRESENTS: That SOUTH WOODFORD COUNTY WATER DISTRICT (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Woodford County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

THREE HUNDRED TWENTY-EIGHT THOUSAND DOLLARS (\$328,000)

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

| Year | Principal | Year | Principal | Year | Principal |
|------|-----------|------|-----------|------|-----------|
| 1998 | \$4,000 | 2008 | \$ 7,500 | 2018 | \$13,500 |
| 1999 | 4,000 | 2009 | 7,500 | 2019 | 14,000 |
| 2000 | 4,500 | 2010 | 8,000 | 2020 | 15,000 |
| 2001 | 4,500 | 2011 | 8,500 | 2021 | 16,000 |
| 2002 | 5,000 | 2012 | 9,500 | 2022 | 17,000 |
| 2003 | 5,500 | 2013 | 9,500 | 2023 | 18,000 |
| 2004 | 5,500 | 2014 | 10,500 | 2024 | 19,500 |
| 2005 | 6,000 | 2015 | 11,000 | 2025 | 20,500 |
| 2006 | 6,500 | 2016 | 12,000 | 2026 | 22,000 |
| 2007 | 6,500 | 2017 | 12,500 | 2027 | 24,000 |

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of five and fifty hundredths percent (5.50%) per annum, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said Department of Agriculture from time to time

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the original principal amount of \$328,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District for the purpose of paying the costs of the construction and installation of major extensions and additions to the District's municipal water distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with previously issued and outstanding parity bonds and such additional parity bonds as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the series which it represents, and outstanding parity bonds, as and when the same shall become due and payable and which shall be set aside as a special fund for that purpose and identified as the "Waterworks System Revenue Bond and Interest Sinking Fund." This Bond and the series it represents rank on a basis of parity and equality with certain identically styled bonds designated 1996 Series B and issued simultaneously herewith pursuant to said Bond-authorizing Resolution.

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions thereof, is created by Section 106.080 of the Kentucky Revised Statutes for the benefit and protection of the holder of this Bond and outstanding parity

bonds, and the same shall continue as a lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, extensions thereof and the revenues derived from the operation thereof until payment in full of the principal of and interest on this Bond and outstanding parity bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this Bond and outstanding parity bonds as the same become due, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder 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 holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books 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 the 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 multiples 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 holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

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 provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the series which this Bond represents, 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, the South Woodford County Water District, in the Commonwealth of Kentucky, by its Commission has caused this Bond to be executed by the Chairman of its Commission attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is

September 10, 1997.

ATTEST:

SOUTH WOODFORD COUNTY WATER DISTRICT

Bobby H. Dutton

Secretary

[Signature]



USDA-FmHA
Form FmHA 1942-47
(Rev. 1-90)

FORM APPROVED
OMB NO. 0575-0015

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Board of Commissioners

OF THE South Woodford Water District

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

Water Service

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the South Woodford Water District

(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

\$328,000.00

pursuant to the provisions of Kentucky Revised Statutes 74.280 et. seq.; and

WHEREAS, the Association intends to obtain assistance from the Farmers Home Administration, United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form FmHA 400-4, "Assurance Agreement," and Form FmHA 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contract or agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by FmHA. No free service or use of the facility will be permitted.

- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established and maintained, disbursements from that account may be used when necessary for payments due on the bond if sufficient funds are not otherwise available. With the prior written approval of the Government, funds may be withdrawn for:
 - (a) Paying the cost of repairing or replacing any damage to the facility caused by catastrophe.
 - (b) Repairing or replacing short-lived assets.
 - (c) Making extensions or improvements to the facility.

Any time funds are disbursed from the reserve account, additional deposits will be required until the reserve account has reached the required funded level.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain FmHA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- 17. To accept a grant in an amount not to exceed \$ _____

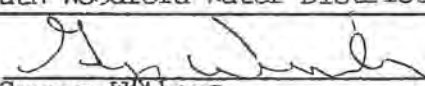
under the terms offered by the Government; that the Chairman and Secretary of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee


The vote was: Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the Commissioners of the South Woodford Water District

has duly adopted this resolution and caused it to be executed by the officers below in duplicate on this 3rd day of October, 1995.

South Woodford Water District
 By 
 Title Chairman

(SEAL)

Attest:

 Bobby Dotson
 Title Secretary

NUMBER

A-1



The holder of this Bond has consented to the issuance of \$ 490,000 of bonds ranking on a parity as to security and source of payment with this bond.

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF WOODFORD

SOUTH WOODFORD COUNTY WATER DISTRICT WATERWORKS SYSTEM REVENUE BOND, 1996 SERIES B

KNOW ALL MEN BY THESE PRESENTS: That **SOUTH WOODFORD COUNTY WATER DISTRICT** (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Woodford County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

ONE HUNDRED EIGHTEEN THOUSAND DOLLARS (\$118,000)

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

| Year | Principal | Year | Principal | Year | Principal |
|------|-----------|------|-----------|------|-----------|
| 1998 | \$1,900 | 2008 | \$ 3,200 | 2018 | \$5,400 |
| 1999 | 2,000 | 2009 | 3,400 | 2019 | 5,700 |
| 2000 | 2,100 | 2010 | 3,500 | 2020 | 6,000 |
| 2001 | 2,200 | 2011 | 3,800 | 2021 | 6,400 |
| 2002 | 2,400 | 2012 | 3,900 | 2022 | 6,800 |
| 2003 | 2,400 | 2013 | 4,200 | 2023 | 7,100 |
| 2004 | 2,600 | 2014 | 4,400 | 2024 | 7,500 |
| 2005 | 2,700 | 2015 | 4,600 | 2025 | 7,900 |
| 2006 | 2,900 | 2016 | 4,900 | | |
| 2007 | 3,000 | 2017 | 5,100 | | |

the benefit and protection of the holder of this Bond and outstanding parity bonds, and the same shall continue as a lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, extensions thereof and the revenues derived from the operation thereof until payment in full of the principal of and interest on this Bond and outstanding parity bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this Bond and outstanding parity bonds as the same become due, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder 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 holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books 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 the 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 multiples 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 holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

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 provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the series which this Bond represents, 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, the South Woodford County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is

September 10, 1997.

ATTEST:

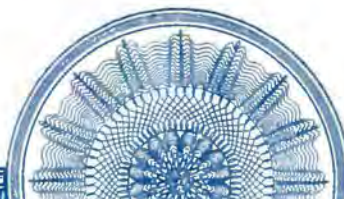
SOUTH WOODFORD COUNTY WATER DISTRICT

Bobby Watson

Secretary

By *[Signature]*

Chairman of the Commission



USDA-FmHA
Form FmHA 1942-47
(Rev. 1-90)

FORM APPROVED
OMB NO. 0575-0015

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Board of Commissioners
OF THE South Woodford Water District
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS
Water Service
FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the South Woodford Water District
(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of
\$446,000.00 ²⁵⁹ 118,000 ²⁵

pursuant to the provisions of Kentucky Revised Statutes 74.280 et. seq.; and

WHEREAS, the Association intends to obtain assistance from the Farmers Home Administration, United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form FmHA 400-4, "Assurance Agreement," and Form FmHA 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contract or agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by FmHA. No free service or use of the facility will be permitted.

A RESOLUTION OF THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S \$446,000 WATERWORKS SYSTEM REVENUE BONDS, 1996 SERIES A AND B, TO PAY THE COSTS THEREOF, SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN PREVIOUSLY ISSUED AND OUTSTANDING BONDS; CONFIRMING AND CONTINUING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM; CONFIRMING, RATIFYING AND CONTINUING CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED AND OUTSTANDING PARITY BONDS; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

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A RESOLUTION OF THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S \$446,000 WATERWORKS SYSTEM REVENUE BONDS, 1996 SERIES A AND B, TO PAY THE COSTS THEREOF, SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN PREVIOUSLY ISSUED AND OUTSTANDING BONDS; CONFIRMING AND CONTINUING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM; CONFIRMING, RATIFYING AND CONTINUING CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED AND OUTSTANDING PARITY BONDS; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

WHEREAS, upon petition and hearing, and upon proper public notice according to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), an Order and Judgment was duly entered by the County Court of Woodford County, Kentucky, on August 19, 1963, determining necessity for and creating and establishing the South Woodford County Water District (the "District"), defining the geographical area thereof, and appointing Commissioners, the same thereupon constituting and being a public body corporate with all powers and authority as provided in KRS Chapter 74; and

WHEREAS, the District is at this time a de jure Water District situated wholly in Woodford County, Kentucky; and

WHEREAS, since 1963 the District has owned and operated a municipal waterworks and water distribution system (the "System") to serve the area of the District, and in this connection the District has previously issued and there are presently outstanding the following bonds payable from and secured by a first pledge of the revenues of the System, on a parity one with the other:

(a) Waterworks System Revenue Bonds of 1968 (the "1968 Bonds"), authorized by Resolution of the Commission of the District adopted on January 4, 1968 (the "1968 Resolution"); and

(b) Waterworks System Revenue Bonds Series 1988" (the "1988 Bonds"), authorized by Resolution of the Commission of the District adopted on October 21, 1987, as amended and supplemented by Resolution adopted February 16, 1989 (collectively the "1988 Resolution"); and

WHEREAS, it is provided in and by the 1968 and 1988 Resolutions (the "Prior Resolutions") that the District may issue additional bonds on a parity with the 1968 and 1988 Bonds (the "Prior Bonds") in order to pay the costs of additions, improvements and extensions to the System if the United States Department of Agriculture ("USDA"), as the holder of the Prior Bonds, consents to such issuance; and

WHEREAS, pursuant to the above cited provisions of the Prior Resolutions, the 1996 Bonds hereinafter identified and authorized may now be issued on a parity with the Prior Bonds, the consent of USDA having been obtained; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the 1996 Bonds herein authorized) the right and authority to construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Broughman & Associates, Lexington, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the Project will be \$518,000 and to provide such funds the District has received from USDA an offer to make a USDA loan to the District in the total amount of \$446,000, which will be supplemented by available funds of the District in the amount of \$72,000; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$446,000 through issuance and sale of its Waterworks System Revenue Bonds, 1996 Series A in the amount of \$328,000, and 1996 Series B in the amount of \$118,000 (collectively the "1996 Bonds"), according to authority of KRS Chapters 74 and 106 and the provisions of the Prior Resolutions permitting the issuance of parity bonds or other obligations; and the 1996 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky;

NOW, THEREFORE, THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS; AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the construction and installation of major additions and extensions (the "Project") to the District's municipal water distribution system (the "System"), all substantially according to the plans, specifications and designs prepared for the District by Broughman & Associates, Lexington, Kentucky (the "Engineers") and on file with the District. Immediate undertaking of such construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the System, and so long as any of the 1996 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District for the security and source of payment of the 1996 Bonds hereinafter authorized to be issued and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Section 74.370 and KRS Chapter 106, now in full force and effect.

SECTION 3

1996 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

For the purpose of providing funds to defray the costs of the Project including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 1996 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Waterworks System Revenue Bonds, 1996 Series A and B, in the aggregate principal amount of \$446,000 (the "1996 Bonds").

The 1996 Bonds shall be dated as of the date of their original delivery and shall be issuable as a single fully registered bond for each series without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and

restrictions hereinafter prescribed and set forth. The 1996 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 1996 Bonds shall mature as to principal in annual installments on January 1 in each of the years 1998 through 2027, inclusive, as set forth in the schedules appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on January 1 and July 1 of each year, and such interest to be at such rates as may be established by a supplemental Resolution upon the basis of competitive sale of the 1996 Bonds as hereinafter provided. The annual installments of principal of the 1996 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedules:

1996 Series A Maturity Schedule
(\$328,000)

| <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> |
|-------------|------------------|-------------|------------------|-------------|------------------|
| 1998 | \$ 4,000 | 2008 | \$ 7,500 | 2018 | \$ 13,500 |
| 1999 | 4,000 | 2009 | 7,500 | 2019 | 14,000 |
| 2000 | 4,500 | 2010 | 8,000 | 2020 | 15,000 |
| 2001 | 4,500 | 2011 | 8,500 | 2021 | 16,000 |
| 2002 | 5,000 | 2012 | 9,500 | 2022 | 17,000 |
| 2003 | 5,500 | 2013 | 9,500 | 2023 | 18,000 |
| 2004 | 5,500 | 2014 | 10,500 | 2024 | 19,500 |
| 2005 | 6,000 | 2015 | 11,000 | 2025 | 20,500 |
| 2006 | 6,500 | 2016 | 12,000 | 2026 | 22,000 |
| 2007 | 6,500 | 2017 | 12,500 | 2027 | 24,000 |

1996 Series B Maturity Schedule
(\$118,000)

| <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> |
|-------------|------------------|-------------|------------------|-------------|------------------|
| 1998 | \$ 1,900 | 2008 | \$ 3,200 | 2018 | \$ 5,400 |
| 1999 | 2,000 | 2009 | 3,400 | 2019 | 5,700 |
| 2000 | 2,100 | 2010 | 3,500 | 2020 | 6,000 |
| 2001 | 2,200 | 2011 | 3,800 | 2021 | 6,400 |
| 2002 | 2,400 | 2012 | 3,900 | 2022 | 6,800 |
| 2003 | 2,400 | 2013 | 4,200 | 2023 | 7,100 |
| 2004 | 2,600 | 2014 | 4,400 | 2024 | 7,500 |
| 2005 | 2,700 | 2015 | 4,600 | 2025 | 7,900 |
| 2006 | 2,900 | 2016 | 4,900 | | |
| 2007 | 3,000 | 2017 | 5,100 | | |

provided, however, that installments of principal of 1996 Bonds maturing on and after January 1, 2007, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after January 1, 2006, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 1996 Bonds; provided, that so long as USDA or any of its assigns is the owner of any of the 1996 Bonds, same may be prepaid in whole or in part at any time at par plus accrued interest, and without notice or prepayment premium. The 1996 Bonds may be prepaid only in increments of \$100.

Both principal of and interest on the 1996 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 1996 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 1996 Bond. The 1996 Bonds, together with the interest thereon, and any bonds which have heretofore been or may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only from the Waterworks System Revenue Bond and Interest Sinking Fund created and continued by the Prior Resolutions, as hereinafter more specifically provided, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 1996 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the legal newspaper published in Woodford County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (b) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 1996 Bonds to be sold, the time of the sale and other details concerning the 1996 Bonds and the sale and shall inform prospective bidders

that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 1996 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, inter alia, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 1996 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 1996 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 1996 Bonds.

(B) A single interest rate for each Series must be bid in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for both Series of 1996 Bonds, to be issued as a single-fully executed Bond for each Series of 1996 Bonds.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 1996 Bonds, which good faith deposit may be applied as partial payment for the 1996 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 1996 Bonds, computed from the first day of the month following the date of sale of the 1996 Bonds (even though the 1996 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1996 Bonds at the office of the District within 45 days after the date of sale thereof. If the 1996 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 1996 Bonds, except that 1996 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

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

(I) The District will furnish the 1996 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to legality of and tax-exempt status of interest on the 1996 Bonds, without additional cost to the successful bidder.

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

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 1996 Bonds.

SECTION 5

1996 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 1996 Bonds, the District shall issue a single fully registered 1996 Bond numbered R-1 (hereinafter referred to as a "Fully Registered Bond" for each Series). Each Fully Registered Bond shall be in the aggregate principal amount of the Series it represents, maturing as to principal in installments as set out in Section 3 hereof. Each Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. Each Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 1996 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of each Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. Each Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon such transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on the Fully Registered Bond and deliver the Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded

as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of each Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to each Fully Registered Bond.

Each Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF WOODFORD
SOUTH WOODFORD COUNTY WATER DISTRICT
WATERWORKS SYSTEM REVENUE BOND, 1996 SERIES _____

No. R-1 \$ _____

KNOW ALL MEN BY THESE PRESENTS:

That South Woodford County Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Woodford County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____
_____ DOLLARS (\$ _____) on the first day of January in years and installments as follows:

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

(Here insert the principal maturities of the Series A and Series B Bonds, respectively)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (____%) per annum, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment

may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture is the registered holder of this Bond, at the office or address as may be designated by said Department of Agriculture from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the original principal amount of \$ _____ issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs of the construction and installation of major extensions and additions to the District's municipal water distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with previously issued and outstanding parity bonds and such additional parity bonds as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the series which it represents, and outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Waterworks System Revenue Bond and Interest Sinking Fund." This Bond and the series it represents rank on a basis of parity and equality with certain identically styled bonds designated 1996 Series ___ and issued simultaneously herewith pursuant to said Bond-authorizing Resolution.

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions thereof, is created by Section 106.080 of the Kentucky Revised Statutes for the benefit and protection of the holder of this Bond and outstanding parity bonds, and the same shall continue as a lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, extensions thereof and the revenues derived from the operation thereof until payment in full of the principal of and interest on this Bond and outstanding parity bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this Bond and outstanding parity bonds as the same become due, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder 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 holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books 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 the 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 multiples 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 holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

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 provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the series which this Bond represents, 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, the South Woodford County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

SOUTH WOODFORD COUNTY
WATER DISTRICT

ATTEST:

By _____
Chairman of the Commission

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the books of the South Woodford County Water District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to the 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 holder or his attorney, such transfer to be made on said books and endorsed hereon.

(FORM OF REGISTRATION)

| <u>Date of Registration</u> | <u>Name of Registered Holder</u> | <u>Signature of the Water District's Bond Registrar</u> |
|---------------------------------|---|---|
| | United States of America Department of Agriculture State Office 771 Corporate Drive, Suite 200 Lexington, Kentucky 40503* | |

*(To be inserted if USDA purchases the 1996 Bonds)

SECTION 6

DISPOSITION OF 1996 BOND PROCEEDS; CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in such bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 1996 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 1996 Bonds shall be applied as follows:

Upon the issuance and delivery of the 1996 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "South Woodford County Water District 1996 Construction Fund" (the "Construction Fund"), hereby created. Said 1996 Bond proceeds, together with proceeds of the interim financing obligations described below, shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 1996 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 1996 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 1996 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 1996 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the Chairman and Treasurer, provided that the Secretary may sign for one of such officers if such officer is not available. Such disbursements shall be authorized and approved in writing by the Chairman, Secretary or Treasurer and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 1996 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 30 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof, or in other obligations permitted by law and approved by USDA. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers,

such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Waterworks System Revenue Bond and Interest Sinking Fund, hereinafter referred to, and shall be used at the earliest practicable date for the retirement of 1996 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 1996 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 1996 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 1996 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS (TO CONTINUE AS IN PAST); ACCUMULATION OF REVENUES

From and after issuance and delivery of any 1996 Bonds herein authorized, and so long as any of the 1996 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis beginning each January 1 and ending on the next December 31, and on that basis the income and revenues shall be collected, segregated, accounted for and distributed as follows:

A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was heretofore created by the 1968 Resolution and continued by the 1988 Resolution identified as the "South Woodford County Water District Waterworks System Revenue Fund" (the "Revenue Fund"), which shall be maintained with the Depository Bank; and the District covenants and agrees that it will continue to deposit therein, promptly as received from time to time, all income and revenues of the System as hereinafter defined. The moneys in the Revenue Fund from time to time shall continue to be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the succeeding subsections of this Section 7, all as permitted by applicable statutes, and in accordance with pre-existing contractual commitments (see Section 6 of the 1968 Resolution), as follows:

(A) A separate and special fund or account of the District was created by the 1968 Resolution and continued by the 1988 Resolution designated the "South Woodford County Water District Waterworks System Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), which shall continue to be maintained for the benefit of the System and all bonds payable

from the income and revenues of the System. The District covenants that it will continue to transfer monthly from the funds in the Revenue Fund to the Operation and Maintenance Fund sums sufficient to pay as they accrue the Current Expenses of operating and maintaining the System pursuant to the Annual Budget, for which provision is hereafter made.

(B) A separate and special fund or account of the District was created by the 1968 Resolution and continued by the 1988 Resolution, distinct and apart from all other funds and accounts, and the same is designated and identified as the "South Woodford County Water District Waterworks System Revenue Bond and Interest Sinking Fund" (the "Bond Fund"), which shall continue to be maintained, so long as any of the outstanding Prior Bonds, and the 1996 Bonds herein authorized or additional parity bonds permitted to be issued are outstanding, in the Depository Bank; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on all outstanding Prior Bonds, 1996 Bonds and additional parity bonds, if any are issued.

Subject to subsection (A) of this Section 7, there shall continue to be transferred on or before the 15th day of each month from the Revenue Fund, as a first charge thereon, and deposited in the Bond Fund, sums not less than the total principal and interest requirements on all outstanding Prior Bonds. In addition, there shall be set aside and paid from the Revenue Fund, as a first charge thereon, into the Bond Fund on account of the 1996 Bonds sums not less than:

(i) beginning with and including the month in which interest shall last be payable from 1996 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment (or the requisite monthly amount to pay such installment) to become due on all 1996 Bonds then outstanding; and

(ii) beginning on January 15, 1997, a sum equal to one-twelfth (1/12) of the principal of all 1996 Bonds maturing on the next succeeding January 1.

Thereafter, after making the transfers for principal and interest enumerated in subsection (A) of Section 6 of the 1968 Resolution, and this subsection (B) of Section 7 of this Resolution, such monthly deposits shall be made in the Depository Bank (which shall include not be less than the amount required by the 1968 Bond Resolution per month) to accrue as a Debt Service Reserve in the Bond Fund (the "Debt Service Reserve"), as hereinafter specifically set out.

In addition to the sums deposited in the Bond Fund to meet the requirements for the payment of interest and principal pursuant to the Prior Resolutions and this Resolution, and the payments required by the Prior Resolutions to be made into the Debt Service Reserve created and continued by the Prior Resolutions, there shall be paid into the Debt Service Reserve the additional sum of \$260 per month until such time as there shall be accumulated in the Debt Service Reserve the amount of \$31,200 (in addition to the amount of \$755,200 required to be accumulated under the Prior Resolutions), and thereafter, if the accumulated Debt Service

Reserve equals the maximum annual principal and interest requirements on the Prior Bonds and the 1996 Bonds, and further amounts to at least the aggregate amount required by the Prior Resolutions and this Resolution, the aforesaid monthly deposits to the Bond Fund may be reduced to sums equal to one-sixth (1/6) of the interest becoming due on all Prior Bonds and 1996 Bonds on the next succeeding interest payment date, and one-twelfth (1/12) of the principal thereof maturing on the next succeeding January 1; but subject to a resumption of monthly deposits if the Debt Service Reserve is depleted to an amount less than the minimum amount hereinabove established, the same to be continued for such period of time as may be required to restore the balance therein to such stipulated level.

In the event additional parity bonds are issued pursuant to the conditions and restrictions set forth hereinafter, the monthly deposits to the Bond Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due, and the aggregate monthly payment to the Debt Service Reserve as specified above shall be continued or resumed to increase the balance in the Debt Service Reserve to an aggregate amount equal to the maximum amount thereafter becoming due with respect to all outstanding Prior Bonds, 1996 Bonds and additional parity bonds in any period of twelve (12) months ending on January 1.

Moneys from time to time in the Debt Service Reserve may be held in cash, in which event the same shall be secured by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing not later than five (5) years from date of purchase, or the final maturity date of 1996 Bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Debt Service Reserve, and may be invested in the same manner. Withdrawals shall be made from the Debt Service Reserve, and transferred to the Bond Fund, if and to any extent required at any time to prevent default in the payment of principal of or interest on any Bonds which by their terms are payable from the Bond Fund; and if necessary, securities held as investments in the Debt Service Reserve shall be converted into cash for such purposes; but no withdrawals therefrom shall be made for any other purposes, except as indicated in (C) of this Section, and except that moneys surplus to the requirements of the Debt Service Reserve may be applied to the payment of principal and interest and to the redemption of Prior Bonds, 1996 Bonds and any parity bonds, and the District hereby irrevocably pledges all moneys and securities in the Debt Service Reserve for such specified purposes only. In the event any such permitted withdrawals are made, the deficiency in said fund shall be restored as soon as revenues are available, and as above set forth.

(C) In addition to the above deposits from the Revenue Fund, there shall also be deposited in the Debt Service Reserve, as received, all proceeds collected from potential customers to aid in the financing of the cost of extensions and improvements to the System, and also proceeds from any property damage insurance and any such proceeds so deposited shall be used for the purposes intended. Monies in the Debt Service Reserve may be withdrawn and used

by the District, upon appropriate certification by 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 of paying the cost of constructing extensions and improvements to the System which will either enhance its revenue capacity or provide a higher degree of service, and when necessary for the purpose of making payments of principal and interest on the bonds hereby authorized if the Bond Fund is not sufficient to make such payments.

Notwithstanding the provisions of this Section, if the 1968 Bonds, 1988 Bonds or 1996 Bonds are no longer outstanding, no amount shall be deemed to be required to be deposited in the Debt Service Reserve which exceeds required deposits in such a fund under the terms of the rules and regulations of USDA.

* * * * *

All payments into the above special funds shall be made on or before the fifteenth (15th) day of each month, except that when the fifteenth (15th) day of any month shall be a 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 pledge of direct obligations or by guaranteed bonds or securities of the United States Government having a market value equivalent to such deposit.

SECTION 8

COVENANTS TO BONDHOLDERS

The District hereby irrevocably covenants and agrees with the holder or holders of any and all 1996 Bonds and parity bonds at any time outstanding that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

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

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

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 1996 Bonds are outstanding, it will not sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and the Prior Resolutions, it 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 1996 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 1996 Bonds and Prior Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding Prior Bonds and 1996 Bonds in accordance with the provisions governing prepayment of said 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;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 1996 Bonds herein authorized, without the written consent and approval of USDA.

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

On or before the date of issuance of the 1996 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 1996 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for

extensions, improvements, and extraordinary repairs and maintenance, and payments into the Bond Fund. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the Bond Fund during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

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

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 1996 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in

reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 1996 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 1996 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 1996 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The District will cause each municipal officer or other person (other than depository banks) having custody of any moneys administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such moneys in his custody at any time; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Commission, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from moneys available in the Operation and Maintenance Fund.

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workers' Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 1996 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify, which shall not be less than the amounts specified above.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 1996 Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 1996 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 1996 Bonds and outstanding parity bonds, for the following purposes and subject to the following conditions and restrictions:

(A) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 1996 Bonds, provided in each instance that:

- (i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding Prior Bonds and 1996 Bonds;

- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the annual net revenues, defined as gross revenues less Current Expenses, of the System for the fiscal year next preceding the issuance of the additional parity bonds, are certified by an independent public accountant employed by the District to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all Prior Bonds and 1996 Bonds then outstanding and payable from the revenues of the System (provided, however, that so long as the 1968 Bonds are outstanding, no additional capital debt can be created without the written permission of the U. S. Department of Agriculture); and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding Prior Bonds and 1996 Bonds payable from the revenues of the System and on the additional Bonds to be issued. In addition, said estimated annual net revenues shall be at least one and twenty hundredths (1.20) times the highest future annual debt service requirement for principal and interest on all outstanding Prior Bonds and 1996 Bonds payable from the pledged revenues and on the additional bonds proposed to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer and approved by the Chairman and the Commission of the District; and shall be forecast over a period not exceeding 10 years from the date of the additional bonds proposed to be issued.

(B) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Bond Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the average annual debt service on the additional bonds;
- (ii) adjust the amount of the Debt Service Reserve to a sum equal to not less than the maximum annual debt service on the Bonds then outstanding and such additional parity bonds, the additional debt service to be accumulated monthly in the manner hereinbefore provided;
- (iii) adjust and increase the maximum amount to be deposited into the Debt Service Reserve on the same basis as that prescribed in Section 7(C) hereof, such

required increase to be equal to ten percent (10%) of the cost of the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and

- (iv) make such additional 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.

(C) If in any subsequently issued series of bonds secured by a parity lien on the revenues of the System, it is provided that excess revenues in the Revenue Fund shall be used to redeem bonds in advance of scheduled maturity, or if the District at its option undertakes to redeem outstanding bonds in advance of scheduled maturity, it is agreed and understood (a) that calls of bonds will be applied to each series of bonds on an equal pro rata basis (reflecting the proportion of the original amount of each series of bonds outstanding at the time of such call), and (b) that calls of bonds for each series of bonds will be in accordance with the call provisions of the respective bond series. However, the District shall have the right to call, subject to the call provisions of the respective bond series, any or all outstanding bonds which may be called at par prior to calling any bonds that are callable at a premium.

The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 1996 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 1996 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 1996 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 1996 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the 1996 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 1996 Bonds and parity bonds, and after the issuance of any of the 1996 Bonds,

no material change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 1996 Bonds and parity bonds, and the interest thereon, have been paid in full.

SECTION 11

STATUTORY MORTGAGE LIEN ACKNOWLEDGED

A statutory mortgage lien upon the System, together with all appurtenances and additions thereto and extensions thereof, and including the revenues thereof, is granted and created by KRS Section 106.080 for the benefit and protection of the holders of the 1996 Bonds and parity bonds; and said statutory mortgage lien is hereby recognized and shall be effective upon delivery of any of the 1996 Bonds and shall continue in full force and effect so long as there shall remain unpaid any part of the principal of or interest on the 1996 Bonds and parity bonds.

SECTION 12

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 1996 Bonds deposited in the Construction Fund for the payment of the costs of the Project will be made promptly in order that the Project will be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 1996 Bonds that so long as any of the 1996 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 1996 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 1996 Bonds or from any other sources, will not be invested or used in a manner which will cause the 1996 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Treasurer, as the officers of the District charged with the responsibility for issuing the 1996 Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code, (i) less than 10% of the proceeds of the 1996 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 1996 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in

respect of such property, or will be derived from payments in respect of such property; (ii) at least 90% of the proceeds of the 1996 Bonds will be applied for a public and governmental use of the District; (iii) any private business use of the Project will be related to such public and governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 1996 Bonds will be used, directly or indirectly, to make or finance loans to private persons.

(B) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 1996 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 1996 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 1996 Bonds, the District will take all action necessary to comply therewith.

(C) The 1996 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(D) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(E) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 13

SEVERABILITY CLAUSE

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

SECTION 14

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.


SECTION 15

WHEN RESOLUTION EFFECTIVE

This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, at a meeting held on the 11th day of July, 1996, on the same occasion signed in open session by the Chairman, attested under seal by the Acting Secretary, and declared to be in full force and effect.

(SEAL)


Chairman of the Commission

ATTEST:


Acting Secretary

CERTIFICATION

The undersigned, Acting Secretary of the Commission of South Woodford County Water District, Woodford County, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Acting Secretary upon the occasion of a properly convened meeting of the Commission of said District held on July 11, 1996, as shown by the official records in my custody and under my control.

WITNESS my hand this July 11, 1996.


Acting Secretary

91-06

The holder of this Bond has consented to the issuance of \$ 408,000 of bonds ranking on a parity as to security and source of payment with this bond

NUMBER

R-1



The holder of this Bond has consented to the issuance of \$ 490,000 of bonds ranking on a parity as to security and source of payment with this bond.

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF WOODFORD

SOUTH WOODFORD COUNTY WATER DISTRICT WATERWORKS SYSTEM REVENUE BOND, 1999 SERIES A

KNOW ALL MEN BY THESE PRESENTS: That **SOUTH WOODFORD COUNTY WATER DISTRICT** (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Woodford County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

TWO HUNDRED NINETY-THREE THOUSAND DOLLARS (\$293,000)

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

| Year | Principal | Year | Principal | Year | Principal |
|------|-----------|------|-----------|------|-----------|
| 2002 | \$2,500 | 2015 | \$5,000 | 2028 | \$ 9,500 |
| 2003 | 3,000 | 2016 | 5,500 | 2029 | 10,000 |
| 2004 | 3,000 | 2017 | 5,500 | 2030 | 10,500 |
| 2005 | 3,000 | 2018 | 6,000 | 2031 | 11,000 |
| 2006 | 3,500 | 2019 | 6,000 | 2032 | 12,000 |
| 2007 | 3,500 | 2020 | 6,500 | 2033 | 12,000 |
| 2008 | 3,500 | 2021 | 7,000 | 2034 | 13,000 |
| 2009 | 4,000 | 2022 | 7,000 | 2035 | 14,000 |
| 2010 | 4,000 | 2023 | 7,500 | 2036 | 14,500 |
| 2011 | 4,000 | 2024 | 8,000 | 2037 | 15,500 |
| 2012 | 4,500 | 2025 | 8,500 | 2038 | 16,000 |
| 2013 | 4,500 | 2026 | 8,500 | 2039 | 16,500 |
| 2014 | 5,000 | 2027 | 9,500 | | |

thereof, is created by Section 106.080 of the Kentucky Revised Statutes for the benefit and protection of the holder of this Bond and outstanding parity bonds, and the same shall continue as a lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, extensions thereof and the revenues derived from the operation thereof until payment in full of the principal of and interest on this Bond and outstanding parity bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this Bond and outstanding parity bonds as the same become due, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder 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 holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books 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, 2009, in the 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 multiples 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 holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

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 provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the series which this Bond represents, 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, the South Woodford County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is October 28, 1999.

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of Four and Three Hundred Seventy-Five Hundredths percent (4.375%) per annum, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture is the registered holder of this Bond, at the office or address as may be designated by said Department of Agriculture from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the original principal amount of \$293,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs of the construction and installation of major extensions and additions to the District's municipal water distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with previously issued and outstanding parity bonds and such additional parity bonds as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the series which it represents, and outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Waterworks System Revenue Bond and Interest Sinking Fund." This Bond and the series it represents rank on a basis of parity and equality with certain identically styled bonds designated 1999 Series B and issued simultaneously herewith pursuant to said Bond-authorizing Resolution.

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions

Attest:

X *Bobby L. Watson*

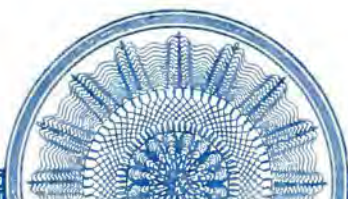
Secretary

By:

SOUTH WOODFORD COUNTY WATER DISTRICT

[Signature]

Chairman of the Commission



USDA-FmHA
Form FmHA 1942-47
(Rev. 1-90)

FORM APPROVED
OMB NO. 0575-0015

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE Board of Commissioners
OF THE South Woodford County Water District
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS
waterline
FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the South Woodford County Water District
(Public Body)
(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of
Two hundred and ninety-three thousand dollars
pursuant to the provisions of KRS 74; and

WHEREAS, the Association intends to obtain assistance from the Farmers Home Administration, United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form FmHA 400-4, "Assurance Agreement," and Form FmHA 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contract or agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by FmHA. No free service or use of the facility will be permitted.

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established and maintained, disbursements from that account may be used when necessary for payments due on the bond if sufficient funds are not otherwise available. With the prior written approval of the Government, funds may be withdrawn for:
 - (a) Paying the cost of repairing or replacing any damage to the facility caused by catastrophe.
 - (b) Repairing or replacing short-lived assets.
 - (c) Making extensions or improvements to the facility.
 Any time funds are disbursed from the reserve account, additional deposits will be required until the reserve account has reached the required funded level.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain FmHA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ 283,000.00

under the terms offered by the Government; that the Chairman
 and Secretary of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee

The vote was: Yeas 3 Nays 0 Absent 0

IN WITNESS WHEREOF, the Board of Commissioners of the
South Woodford County Water District has duly adopted this resolution and caused it
 to be executed by the officers below in duplicate on this 27th day of July, 1998.

(SEAL)

South Woodford County Water District
 By [Signature]
 Title Chairman

Attest:
[Signature]
 Title Secretary

NUMBER

R-1



53,000



53,000

The holder of this Bond has consented to the issuance of \$ 490,000 of bonds ranking on a parity as to security and source of payment with this bond.

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF WOODFORD

SOUTH WOODFORD COUNTY WATER DISTRICT WATERWORKS SYSTEM REVENUE BOND, 1999 SERIES B

KNOW ALL MEN BY THESE PRESENTS: That **SOUTH WOODFORD COUNTY WATER DISTRICT** (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Woodford County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

FIFTY-THREE THOUSAND DOLLARS (\$53,000)

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

| Year | Principal | Year | Principal | Year | Principal |
|------|-----------|------|-----------|------|-----------|
| 2002 | \$500 | 2015 | \$1,000 | 2028 | \$1,700 |
| 2003 | 600 | 2016 | 1,000 | 2029 | 1,900 |
| 2004 | 600 | 2017 | 1,100 | 2030 | 1,900 |
| 2005 | 600 | 2018 | 1,100 | 2031 | 2,000 |
| 2006 | 600 | 2019 | 1,200 | 2032 | 2,100 |
| 2007 | 700 | 2020 | 1,200 | 2033 | 2,200 |
| 2008 | 700 | 2021 | 1,300 | 2034 | 2,200 |
| 2009 | 700 | 2022 | 1,300 | 2035 | 2,300 |
| 2010 | 800 | 2023 | 1,400 | 2036 | 2,500 |
| 2011 | 800 | 2024 | 1,500 | 2037 | 2,500 |
| 2012 | 800 | 2025 | 1,500 | 2038 | 2,700 |
| 2013 | 900 | 2026 | 1,600 | 2039 | 2,900 |
| 2014 | 900 | 2027 | 1,700 | | |

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of Four and Three Hundred Seventy-Five Hundredths percent (4.375%) per annum, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture is the registered holder of this Bond, at the office or address as may be designated by said Department of Agriculture from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the original principal amount of \$53,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs of the construction and installation of major extensions and additions to the District's municipal water distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with previously issued and outstanding parity bonds and such additional parity bonds as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the series which it represents, and outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Waterworks System Revenue Bond and Interest Sinking Fund." This Bond and the series it represents rank on a basis of parity and equality with certain identically styled bonds designated 1999 Series A and issued simultaneously herewith pursuant to said Bond-authorizing Resolution.

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions

thereof, is created by Section 106.080 of the Kentucky Revised Statutes for the benefit and protection of the holder of this Bond and outstanding parity bonds, and the same shall continue as a lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, extensions thereof and the revenues derived from the operation thereof until payment in full of the principal of and interest on this Bond and outstanding parity bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this Bond and outstanding parity bonds as the same become due, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder 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 holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books 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, 2009, in the 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 multiples 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 holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

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 provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the series which this Bond represents, 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, the South Woodford County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is **October 28, 1999.**

Attest:

[Handwritten Signature]

Secretary

By:

[Handwritten Signature]

Chairman of the Commission

SOUTH WOODFORD COUNTY WATER DISTRICT

A RESOLUTION OF THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S \$346,000 WATERWORKS SYSTEM REVENUE BONDS, 1999 SERIES A AND B, TO PAY THE COSTS THEREOF, SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN PREVIOUSLY ISSUED AND OUTSTANDING BONDS; CONFIRMING AND CONTINUING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM; CONFIRMING, RATIFYING AND CONTINUING CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED AND OUTSTANDING PARITY BONDS; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

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A RESOLUTION OF THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF SAID DISTRICT'S \$346,000 WATERWORKS SYSTEM REVENUE BONDS, 1999 SERIES A AND B, TO PAY THE COSTS THEREOF, SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN PREVIOUSLY ISSUED AND OUTSTANDING BONDS; CONFIRMING AND CONTINUING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM; CONFIRMING, RATIFYING AND CONTINUING CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED AND OUTSTANDING PARITY BONDS; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

WHEREAS, upon petition and hearing, and upon proper public notice according to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), an Order and Judgment was duly entered by the County Court of Woodford County, Kentucky, on August 19, 1963, determining necessity for and creating and establishing the South Woodford County Water District (the "District"), defining the geographical area thereof, and appointing Commissioners, the same thereupon constituting and being a public body corporate with all powers and authority as provided in KRS Chapter 74; and

WHEREAS, the District is at this time a de jure Water District situated wholly in Woodford County, Kentucky; and

WHEREAS, since 1963 the District has owned and operated a municipal waterworks and water distribution system (the "System") to serve the area of the District, and in this connection the District has previously issued and there are presently outstanding the following bonds payable from and secured by a first pledge of the revenues of the System, on a parity one with the other:

(a) Waterworks System Revenue Bonds of 1968 (the "1968 Bonds"), authorized by Resolution of the Commission of the District adopted on January 4, 1968 (the "1968 Resolution"); and

(b) Waterworks System Revenue Bonds Series 1988" (the "1988 Bonds"), authorized by Resolution of the Commission of the District adopted on October 21, 1987, as amended and supplemented by Resolution adopted February 16, 1989 (collectively the "1988 Resolution");

(c) Waterworks System Revenue Bonds, 1996 Series A and B (the "1996 Bonds"), authorized by Resolution of the Commission of the District adopted on July 11, 1996 (the "1996 Resolution"); and

WHEREAS, it is provided in and by the 1968, 1988 and 1996 Resolutions (the "Prior Resolutions") that the District may issue additional bonds on a parity with the 1968, 1988 and 1996 Bonds (the "Prior Bonds") in order to pay the costs of additions, improvements and extensions to the System if the United States Department of Agriculture ("USDA"), as the holder of the Prior Bonds, consents to such issuance; and

WHEREAS, pursuant to the above cited provisions of the Prior Resolutions, the 1999 Bonds hereinafter identified and authorized may now be issued on a parity with the Prior Bonds, the consent of USDA having been obtained; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the 1999 Bonds herein authorized) the right and authority to construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Haworth, Meyer & Boleyn, Frankfort, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the Project will be \$1,106,500 and to provide such funds the District has received from USDA an offer to make a USDA loan to the District in the total amount of \$346,000, which will be supplemented by a USDA Grant in the amount of \$333,000, a HUD-CDBG Grant in the amount of \$289,600, a Woodford County Fiscal Court contribution in the amount of \$107,800 and available funds of the District in the amount of \$30,100; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$346,000 through issuance and sale of its Waterworks System Revenue Bonds, 1999 Series A and B (the "1999 Bonds"), according to authority of KRS Chapters 74 and 106 and the provisions of the Prior Resolutions permitting the issuance of parity bonds or other obligations; and the 1999 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky;

NOW, THEREFORE, THE COMMISSION OF SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS;
AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the construction and installation of major additions and extensions (the "Project") to the District's municipal water distribution system (the "System"), all substantially according to the plans, specifications and designs prepared for the District by Haworth, Meyer & Boleyn, Frankfort, Kentucky (the "Engineers") and on file with the District. Immediate undertaking of such construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the System, and so long as any of the 1999 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District for the security and source of payment of the 1999 Bonds hereinafter authorized to be issued and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Section 74 370 and KRS Chapter 106, now in full force and effect.

SECTION 3

1999 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

For the purpose of providing funds to defray the costs of the Project including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 1999 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Waterworks System Revenue Bonds, 1999 Series A and B, in the aggregate principal amount of \$346,000 (the "1999 Bonds"), the amount and maturities of each series being set out below.

The 1999 Bonds shall be dated as of the date of their original delivery and shall be issuable as a single fully registered bond for each series without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and

restrictions hereinafter prescribed and set forth. The 1999 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 1999 Bonds shall mature as to principal in annual installments on January 1 in each of the years 2002 through 2039, inclusive, as set forth in the schedules appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on January 1 and July 1 of each year, and such interest to be at such rates as may be established by a supplemental Resolution upon the basis of competitive sale of the 1999 Bonds as hereinafter provided. The annual installments of principal of the respective series of 1999 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedules:

1999 Series A Maturity Schedule - (\$293,000)

| <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> |
|-------------|------------------|-------------|------------------|-------------|------------------|
| 2002 | \$ 2,500 | 2015 | \$ 5,000 | 2028 | \$ 9,500 |
| 2003 | 3,000 | 2016 | 5,500 | 2029 | 10,000 |
| 2004 | 3,000 | 2017 | 5,500 | 2030 | 10,500 |
| 2005 | 3,000 | 2018 | 6,000 | 2031 | 11,000 |
| 2006 | 3,500 | 2019 | 6,000 | 2032 | 12,000 |
| 2007 | 3,500 | 2020 | 6,500 | 2033 | 12,000 |
| 2008 | 3,500 | 2021 | 7,000 | 2034 | 13,000 |
| 2009 | 4,000 | 2022 | 7,000 | 2035 | 14,000 |
| 2010 | 4,000 | 2023 | 7,500 | 2036 | 14,500 |
| 2011 | 4,000 | 2024 | 8,000 | 2037 | 15,500 |
| 2012 | 4,500 | 2025 | 8,500 | 2038 | 16,000 |
| 2013 | 4,500 | 2026 | 8,500 | 2039 | 16,500 |
| 2014 | 5,000 | 2027 | 9,500 | | |

1999 Series B Maturity Schedule - (\$53,000)

| <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> | <u>Year</u> | <u>Principal</u> |
|-------------|------------------|-------------|------------------|-------------|------------------|
| 2002 | \$ 500 | 2015 | \$ 1,000 | 2028 | \$ 1,700 |
| 2003 | 600 | 2016 | 1,000 | 2029 | 1,900 |
| 2004 | 600 | 2017 | 1,100 | 2030 | 1,900 |
| 2005 | 600 | 2018 | 1,100 | 2031 | 2,000 |
| 2006 | 600 | 2019 | 1,200 | 2032 | 2,100 |
| 2007 | 700 | 2020 | 1,200 | 2033 | 2,200 |
| 2008 | 700 | 2021 | 1,300 | 2034 | 2,200 |
| 2009 | 700 | 2022 | 1,300 | 2035 | 2,300 |
| 2010 | 800 | 2023 | 1,400 | 2036 | 2,500 |
| 2011 | 800 | 2024 | 1,500 | 2037 | 2,500 |
| 2012 | 800 | 2025 | 1,500 | 2038 | 2,700 |
| 2013 | 900 | 2026 | 1,600 | 2039 | 2,900 |
| 2014 | 900 | 2027 | 1,700 | | |

provided, however, that installments of principal of 1999 Bonds maturing on and after January 1, 2010, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after January 1, 2009, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 1999 Bonds; provided, that so long as USDA or any of its assigns is the owner of any of the 1999 Bonds, same may be prepaid in whole or in part at any time at par plus accrued interest, and without notice or prepayment premium. The 1999 Bonds may be prepaid only in increments of \$100.

Both principal of and interest on the 1999 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 1999 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 1999 Bond. The 1999 Bonds, together with the interest thereon, and any bonds which have heretofore been or may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only from the Waterworks System Revenue Bond and Interest Sinking Fund created and continued by the Prior Resolutions, as hereinafter more specifically provided, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 1999 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the legal newspaper published in Woodford County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (b) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 1999 Bonds to be sold, the time of the sale and other details concerning the 1999 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 1999

Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, *inter alia*, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 1999 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 1999 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 1999 Bonds.

(B) A single interest rate for each series must be bid in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for both series of 1999 Bonds, to be issued as a single fully executed Bond for each series of 1999 Bonds.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 1999 Bonds, which good faith deposit may be applied as partial payment for the 1999 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 1999 Bonds, computed from the first day of the month following the date of sale of the 1999 Bonds (even though the 1999 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1999 Bonds at the office of the District within 45 days after the date of sale thereof. If the 1999 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 1999 Bonds, except that 1999 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

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

(I) The District will furnish the 1999 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to legality of and tax-exempt status of interest on the 1999 Bonds, without additional cost to the successful bidder.

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

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 1999 Bonds.

SECTION 5

1999 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 1999 Bonds, the District shall issue a single fully registered 1999 Bond numbered R-1 (hereinafter referred to as a "Fully Registered Bond" for each series). Each Fully Registered Bond shall be in the aggregate principal amount of \$293,000, maturing as to principal in installments as set out in Section 3 hereof. Each Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. Each Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 1999 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of each Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. Each Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon such transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on the Fully Registered Bond and deliver the Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to

the extent of the sum or sums so paid. The face amount of each Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to each Fully Registered Bond.

Each Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF WOODFORD
SOUTH WOODFORD COUNTY WATER DISTRICT
WATERWORKS SYSTEM REVENUE BOND, 1999 SERIES _____

No. R-1 \$ _____

KNOW ALL MEN BY THESE PRESENTS:

That South Woodford County Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Woodford County, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____
_____ DOLLARS (\$ _____) on the first day of January in years and installments as follows:

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

(Here insert the principal maturities of the 1999 Series A
and Series B Bonds, respectively)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (____%) per annum, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture is the registered holder of this Bond, at the office or address as may be designated by said Department of Agriculture from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the original principal amount of \$ _____ issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs of the construction and installation of major extensions and additions to the District's municipal water distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with previously issued and outstanding parity bonds and such additional parity bonds as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the series which it represents, and outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Waterworks System Revenue Bond and Interest Sinking Fund." This Bond and the series it represents rank on a basis of parity and equality with certain identically styled bonds designated 1999 Series ___ and issued simultaneously herewith pursuant to said Bond-authorizing Resolution

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions thereof, is created by Section 106.080 of the Kentucky Revised Statutes for the benefit and protection of the holder of this Bond and outstanding parity bonds, and the same shall continue as a lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, extensions thereof and the revenues derived from the operation thereof until payment in full of the principal of and interest on this Bond and outstanding parity bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this Bond and outstanding parity bonds as the same become due, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder 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 holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books 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, 2009, in the 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 multiples 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 holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

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 provisions of this Bond or with the provisions of the resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said resolution.

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the series which this Bond represents, 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, the South Woodford County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

SOUTH WOODFORD COUNTY
WATER DISTRICT

ATTEST:

By _____
Chairman of the Commission

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the books of the South Woodford County Water District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to the

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 holder or his attorney, such transfer to be made on said books and endorsed hereon.

(FORM OF REGISTRATION)

| Date of Registration | Name of Registered Holder | Signature of the Water District's Bond Registrar |
|----------------------|---|--|
| | United States of America Department of Agriculture State Office 771 Corporate Drive, Suite 200 Lexington, Kentucky 40503* | |
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*(To be inserted if USDA purchases the 1999 Bonds)

SECTION 6

DISPOSITION OF 1999 BOND PROCEEDS; CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in such bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 1999 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 1999 Bonds shall be applied as follows:

Upon the issuance and delivery of the 1999 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "South Woodford County Water District 1999 Construction Fund" (the "Construction Fund"), hereby created. Said 1999 Bond proceeds, together with proceeds of the interim financing obligations described below, shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 1999 Bonds and paying interim financing obligations (both principal and

interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 1999 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 1999 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 1999 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the Chairman and Treasurer, provided that the Secretary may sign for one of such officers if such officer is not available. Such disbursements shall be authorized and approved in writing by the Chairman, Secretary or Treasurer and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 1999 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 30 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof, or in other obligations permitted by law and approved by USDA. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Waterworks System Revenue Bond and Interest Sinking Fund, hereinafter referred to, and shall be used at the earliest practicable date for the retirement of 1999 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 1999 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 1999 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 1999 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS (TO CONTINUE AS IN PAST); ACCUMULATION OF REVENUES

From and after issuance and delivery of any 1999 Bonds herein authorized, and so long as any of the 1999 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis beginning each January 1 and ending on the next December 31, and on that basis the income and revenues shall be collected, segregated, accounted for and distributed as follows:

A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was heretofore created by the 1968 Resolution and continued by the 1988 and 1996 Resolutions identified as the "South Woodford County Water District Waterworks System Revenue Fund" (the "Revenue Fund"), which shall be maintained with the Depository Bank; and the District covenants and agrees that it will continue to deposit therein, promptly as received from time to time, all income and revenues of the System as hereinafter defined. The moneys in the Revenue Fund from time to time shall continue to be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the succeeding subsections of this Section 7, all as permitted by applicable statutes, and in accordance with pre-existing contractual commitments (see Section 6 of the 1968 Resolution), as follows:

(A) A separate and special fund or account of the District was created by the 1968 Resolution and continued by the 1988 and 1996 Resolutions designated the "South Woodford County Water District Waterworks System Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), which shall continue to be maintained for the benefit of the System and all bonds payable from the income and revenues of the System. The District covenants that it will continue to transfer monthly from the funds in the Revenue Fund to the Operation and Maintenance Fund sums sufficient to pay as they accrue the Current Expenses of operating and maintaining the System pursuant to the Annual Budget, for which provision is hereafter made.

(B) A separate and special fund or account of the District was created by the 1968 Resolution and continued by the 1988 and 1996 Resolutions, distinct and apart from all other funds and accounts, and the same is designated and identified as the "South Woodford County Water District Waterworks System Revenue Bond and Interest Sinking Fund" (the "Bond Fund"), which shall continue to be maintained, so long as any of the outstanding Prior Bonds, and the 1999 Bonds herein authorized or additional parity bonds permitted to be issued are outstanding, in the Depository Bank; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on all outstanding Prior Bonds, 1999 Bonds and additional parity bonds, if any are issued.

Subject to subsection (A) of this Section 7, there shall continue to be transferred on or before the 15th day of each month from the Revenue Fund, as a first charge thereon, and deposited in the Bond Fund, sums not less than the total principal and interest requirements on all outstanding Prior Bonds. In addition, there shall be set aside and paid from the Revenue Fund, as a first charge thereon, into the Bond Fund on account of the 1999 Bonds sums not less than:

(i) beginning with and including the month in which interest shall last be payable from 1999 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment (or the requisite monthly amount to pay such installment) to become due on all 1999 Bonds then outstanding; and

(ii) beginning on January 15, 2001, a sum equal to one-twelfth (1/12) of the principal of all 1999 Bonds maturing on the next succeeding January 1.

Thereafter, after making the transfers for principal and interest enumerated in subsection (A) of Section 6 of the 1968 Resolution, and this subsection (B) of Section 7 of this Resolution, such monthly deposits shall be made in the Depository Bank (which shall include and not be less than the amount required by the 1968 Bond Resolution per month) to accrue as a Debt Service Reserve in the Bond Fund (the "Debt Service Reserve"), as hereinafter specifically set out.

In addition to the sums deposited in the Bond Fund to meet the requirements for the payment of interest and principal pursuant to the Prior Resolutions and this Resolution, and the payments required by the Prior Resolutions to be made into the Debt Service Reserve created and continued by the Prior Resolutions, there shall be paid into the Debt Service Reserve the additional sum of \$170 per month until such time as there shall be accumulated in the Debt Service Reserve the amount of \$20,400 (in addition to the amount of \$786,400 required to be accumulated under the Prior Resolutions), and thereafter, if the accumulated Debt Service Reserve equals the maximum annual principal and interest requirements on the Prior Bonds and the 1999 Bonds, and further amounts to at least the aggregate amount required by the Prior Resolutions and this Resolution, the aforesaid monthly deposits to the Bond Fund may be reduced to sums equal to one-sixth (1/6) of the interest becoming due on all Prior Bonds and 1999 Bonds on the next succeeding interest payment date, and one-twelfth (1/12) of the principal thereof

maturing on the next succeeding January 1; but subject to a resumption of monthly deposits if the Debt Service Reserve is depleted to an amount less than the minimum amount hereinabove established, the same to be continued for such period of time as may be required to restore the balance therein to such stipulated level.

In the event additional parity bonds are issued pursuant to the conditions and restrictions set forth hereinafter, the monthly deposits to the Bond Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due, and the aggregate monthly payment to the Debt Service Reserve as specified above shall be continued or resumed to increase the balance in the Debt Service Reserve to an aggregate amount equal to the maximum amount thereafter becoming due with respect to all outstanding Prior Bonds, 1999 Bonds and additional parity bonds in any period of twelve (12) months ending on January 1.

Moneys from time to time in the Debt Service Reserve may be held in cash, in which event the same shall be secured by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing not later than five (5) years from date of purchase, or the final maturity date of 1999 Bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Debt Service Reserve, and may be invested in the same manner. Withdrawals shall be made from the Debt Service Reserve, and transferred to the Bond Fund, if and to any extent required at any time to prevent default in the payment of principal of or interest on any Bonds which by their terms are payable from the Bond Fund; and if necessary, securities held as investments in the Debt Service Reserve shall be converted into cash for such purposes; but no withdrawals therefrom shall be made for any other purposes, except as indicated in (C) of this Section, and except that moneys surplus to the requirements of the Debt Service Reserve may be applied to the payment of principal and interest and to the redemption of Prior Bonds, 1999 Bonds and any parity bonds, and the District hereby irrevocably pledges all moneys and securities in the Debt Service Reserve for such specified purposes only. In the event any such permitted withdrawals are made, the deficiency in said fund shall be restored as soon as revenues are available, and as above set forth.

(C) In addition to the above deposits from the Revenue Fund, there shall also be deposited in the Debt Service Reserve, as received, all proceeds collected from potential customers to aid in the financing of the cost of extensions and improvements to the System, and also proceeds from any property damage insurance and any such proceeds so deposited shall be used for the purposes intended. Moneys in the Debt Service Reserve may be withdrawn and used by the District, upon appropriate certification by 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 of paying the cost of constructing extensions and improvements to the System which will either enhance its revenue capacity or provide a higher

degree of service, and when necessary for the purpose of making payments of principal and interest on the bonds hereby authorized if the Bond Fund is not sufficient to make such payments.

Notwithstanding the provisions of this Section, if the 1968 Bonds, 1988 Bonds, 1996 Bonds or 1999 Bonds are no longer outstanding, no amount shall be deemed to be required to be deposited in the Debt Service Reserve which exceeds required deposits in such a fund under the terms of the rules and regulations of USDA.

* * * * *

All payments into the above special funds shall be made on or before the fifteenth (15th) day of each month, except that when the fifteenth (15th) day of any month shall be a 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 pledge of direct obligations or by guaranteed bonds or securities of the United States Government having a market value equivalent to such deposit.

SECTION 8

COVENANTS TO BONDHOLDERS

The District hereby irrevocably covenants and agrees with the holder or holders of any and all 1999 Bonds and parity bonds at any time outstanding that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

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

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

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 1999 Bonds are outstanding, it will not sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and the Prior Resolutions, it 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 1999 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 1999 Bonds and Prior Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding Prior Bonds and 1999 Bonds in accordance with the provisions governing prepayment of said 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;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 1999 Bonds herein authorized, without the written consent and approval of USDA.

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

On or before the date of issuance of the 1999 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 1999 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into the Bond Fund. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any

amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the Bond Fund during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

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

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 1999 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so

long as USDA holds any of the 1999 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 1999 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 1999 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The District will cause each municipal officer or other person (other than depository banks) having custody of any moneys administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such moneys in his custody at any time; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Commission, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from moneys available in the Operation and Maintenance Fund.

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workers' Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 1999 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify, which shall not be less than the amounts specified above.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 1999 Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 1999 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 1999 Bonds and outstanding parity bonds, for the following purposes and subject to the following conditions and restrictions:

(A) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 1999 Bonds, provided in each instance that:

- (i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding Prior Bonds and 1999 Bonds;

- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the annual net revenues, defined as gross revenues less Current Expenses, of the System for the fiscal year next preceding the issuance of the additional parity bonds, are certified by an independent public accountant employed by the District to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all Prior Bonds and 1999 Bonds then outstanding and payable from the revenues of the System (provided, however, that so long as the 1968 Bonds are outstanding, no additional capital debt can be created without the written permission of the U. S. Department of Agriculture); and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding Prior Bonds and 1999 Bonds payable from the revenues of the System and on the additional Bonds to be issued. In addition, said estimated annual net revenues shall be at least one and twenty hundredths (1.20) times the highest future annual debt service requirement for principal and interest on all outstanding Prior Bonds and 1999 Bonds payable from the pledged revenues and on the additional bonds proposed to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer and approved by the Chairman and the Commission of the District; and shall be forecast over a period not exceeding 10 years from the date of the additional bonds proposed to be issued.

(B) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Bond Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the average annual debt service on the additional bonds;
- (ii) adjust the amount of the Debt Service Reserve to a sum equal to not less than the maximum annual debt service on the Bonds then outstanding and such additional parity bonds, the additional debt service to be accumulated monthly in the manner hereinbefore provided;
- (iii) adjust and increase the maximum amount to be deposited into the Debt Service Reserve on the same basis as that prescribed in Section 7(C) hereof, such

required increase to be equal to ten percent (10%) of the cost of the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and

- (iv) make such additional 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.

(C) If in any subsequently issued series of bonds secured by a parity lien on the revenues of the System, it is provided that excess revenues in the Revenue Fund shall be used to redeem bonds in advance of scheduled maturity, or if the District at its option undertakes to redeem outstanding bonds in advance of scheduled maturity, it is agreed and understood (a) that calls of bonds will be applied to each series of bonds on an equal pro rata basis (reflecting the proportion of the original amount of each series of bonds outstanding at the time of such call), and (b) that calls of bonds for each series of bonds will be in accordance with the call provisions of the respective bond series. However, the District shall have the right to call, subject to the call provisions of the respective bond series, any or all outstanding bonds which may be called at par prior to calling any bonds that are callable at a premium.

The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 1999 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 1999 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 1999 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 1999 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the 1999 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 1999 Bonds and parity bonds, and after the issuance of any of the 1999 Bonds,

no material change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 1999 Bonds and parity bonds, and the interest thereon, have been paid in full.

SECTION 11

STATUTORY MORTGAGE LIEN ACKNOWLEDGED

A statutory mortgage lien upon the System, together with all appurtenances and additions thereto and extensions thereof, and including the revenues thereof, is granted and created by KRS Section 106.080 for the benefit and protection of the holders of the 1999 Bonds and parity bonds; and said statutory mortgage lien is hereby recognized and shall be effective upon delivery of any of the 1999 Bonds and shall continue in full force and effect so long as there shall remain unpaid any part of the principal of or interest on the 1999 Bonds and parity bonds.

SECTION 12

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 1999 Bonds deposited in the Construction Fund for the payment of the costs of the Project will be made promptly in order that the Project will be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 1999 Bonds that so long as any of the 1999 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 1999 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 1999 Bonds or from any other sources, will not be invested or used in a manner which will cause the 1999 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code and the Income Tax Regulations issued thereunder, over the terms of the Bonds (i) less than 10% of the proceeds of the 1999 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 1999 Bonds, if any, will be secured directly or

indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payments (whether or not to the District) in respect of such property; (ii) at least 90% of the proceeds of the 1999 Bonds will be applied for a governmental use of the District; (iii) any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 1999 Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the 1999 Bonds (a) the Project will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity, (b) no nongovernmental person will have any special legal entitlement to use the Project, and (c) there will be no direct or indirect payments made with respect to the Project or the security of the 1999 Bonds by any persons or entities other than payments by the general public as described in clause (a) above.

(B) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 1999 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 1999 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the Bonds will be used for expenditures on the Project within six months, at least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the 1999 Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 1999 Bonds, the District will take all action necessary to comply therewith.

(C) It is reasonably expected that during the term of the 1999 Bonds the Project will not be disposed of, provided, however, should there be any disposition of any personal property constituting a part of the Project because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its cost.

(D) The weighted average maturity of the 1999 Bonds does not exceed 120% of the weighted average useful life of the facilities comprising the Project.

(E) The District has not heretofore expended any sums on the Project which are to be reimbursed from the proceeds of the 1999 Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the 1999 Bond proceeds, (b) expenditures made within 60 days prior to the date of adoption of this Resolution, and (c) expenditures prior to which the District had adopted an official intent resolution regarding reimbursement from tax-exempt bond proceeds.

(F) The 1999 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(G) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(H) The District will not use or permit the use of any of the funds provided by the 1999 Bonds in such manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the 1999 Bonds. The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the 1999 Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

(I) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 13

SEVERABILITY CLAUSE

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

SECTION 14

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

SECTION 15


WHEN RESOLUTION EFFECTIVE

This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

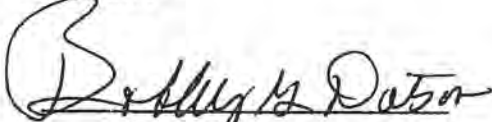
ADOPTED BY THE COMMISSION OF THE SOUTH WOODFORD COUNTY WATER DISTRICT, WOODFORD COUNTY, KENTUCKY, at a meeting held on the 4th day

of March, 1999, on the same occasion signed in open session by the Chairman, attested under seal by the Secretary, and declared to be in full force and effect.

(SEAL)


Chairman of the Commission

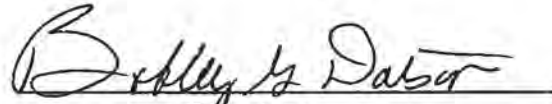
ATTEST


Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of South Woodford County Water District, Woodford County, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Secretary upon the occasion of a properly convened meeting of the Commission of said District held on March 4, 1999, as shown by the official records in my custody and under my control.

WITNESS my hand this March 4, 1999.


Secretary

RESOLUTION

RESOLUTION OF THE SOUTH WOODFORD WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT WITH THE KENTUCKY RURAL WATER FINANCE CORPORATION FOR THE PURPOSE OF FINANCING A CONSTRUCTION PROJECT FOR THE DISTRICT

WHEREAS, the Board of Commissioners ("Governing Authority") of the South Woodford Water District of Woodford County, Kentucky (the "District") has previously determined that it is in the public interest to make extensions, additions and improvements (the "Project") to the District's waterworks system (the "System"); and

WHEREAS, the District desires the Kentucky Rural Water Finance Corporation (the "Corporation") to act as its agency and instrumentality for the purpose of providing monies to finance the cost of said Project, consisting of constructing approximately 5.3 miles of water line, a booster pump station, a 250,000 gallon elevated water tank and a SCADA system, with appurtenances, and has made an application to the Corporation therefore;

WHEREAS, in order to obtain such monies, the District is required to enter into an Assistance Agreement with the Corporation;

NOW, THEREFORE, BE IT RESOLVED by the Governing Authority of the South Woodford Water District, as follows:

1. **Authorization of Assistance Agreement and the Obligations Thereunder.** For the purpose of paying the costs, not otherwise provided, of financing the Project, the District hereby authorizes and approves the issuance of its obligations pursuant to the Assistance Agreement in the aggregate principal amount of \$490,000 (subject to adjustment plus or minus ten percent (10%)) [the "Obligations"], which amount as adjusted shall be the maximum amount of such Obligations to be outstanding at any one time under the Assistance Agreement, issued as fully registered Obligations, in said maturities and terms as more fully provided for in the Assistance Agreement. The Obligations shall bear interest at such rates and shall be payable in such amounts and at such times as specified in the Assistance Agreement, all as agreed upon by the District and the Corporation.

2. **Approval and Authorization of Execution of Assistance Agreement.** The Assistance Agreement by and between the District and the Corporation in the respective form attached to this Resolution, is hereby approved, subject to such minor changes, changes of dates, insertions or omissions as may be approved by the Chairman, such approval to be conclusively evidenced by the execution of said Assistance Agreement, in order to effectuate the purposes of this Resolution; and the Chairman, or any other officer of the District, is hereby authorized to execute and acknowledge same for and on behalf of the District; and the Secretary is authorized to attest same and to affix thereto the corporate seal of the District. The Assistance Agreement is

hereby ordered to be filed in the office of the Secretary with this Resolution in the official records of the District.

3. Disbursement of Proceeds of Obligations. The District's officers, employees and agents are authorized to carry out the procedures specified in the Assistance Agreement for the financing of the Project and for the payment from time to time of the costs and related expenses associated therewith.

4. Revenues of the Project. The revenues of the System are determined to be sufficient to pay the principal of and interest on the Obligations, as the same become due and payable; and said revenues, pursuant to the terms of the Assistance Agreement, are hereby pledged to secure all such payments, and in addition, for such other purposes as are more fully specified in the Assistance Agreement.

5. Chairman and Other District Officials to Take Any Other Necessary Action. Pursuant to the Constitution and Laws of the Commonwealth of Kentucky, the Chairman, the Treasurer, the Secretary and all other appropriate officials of the District are hereby authorized and directed to file any and all applications necessary to obtain approval of the issuance of the Obligations from the Kentucky Public Service Commission and to take any and all further action and to execute and deliver all other documents as may be reasonably necessary to effect the issuance and delivery of the Obligations and the Assistance Agreement.

6. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be ruled by any court of competent jurisdiction to be invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions hereof.

7. Captions of Clauses. The captions of this Resolution are for convenience only and are not to be construed as part of this Resolution nor as defining or limiting in any way the scope or intent of the provisions hereof.

8. Provisions in Conflict Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed.

9. Effective Date of Resolution. This Resolution shall take effect from and after its adoption and approval.

Adopted on January 17, 2007.

SOUTH WOODFORD WATER DISTRICT

By Billy M. Watson
Chairman

Attest:

By [Signature]
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the South Woodford Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Governing Authority of the South Woodford Water District at a meeting duly held on January 17, 2007; 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 61.823; 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 January 17, 2007.

[Signature]
Secretary

Attachment #9



United States Department of Agriculture
 CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

| | | | |
|--|--------|--|-------|
| Name of Borrower: South Woodford Water District | | | |
| Amount of Loan | 328000 | Annual Interest Rate | 0.055 |
| Number of Initial Interest Only Payments | 0 | Number of principal and/or Interest Payments | 32 |
| Payment Frequency | Annual | This is a split payment bond. | No |
| Principal Payment Units | 100 | Interest Payment Units. | 1 |

| Year | Period | Number | Payment | Interest | Principal | Balance |
|---------------|--------|--------|---------------------|---------------------|---------------------|---------|
| 1996 | 1 | 1 | 22040 | 18040 | 4000 | 324000 |
| 1997 | 1 | 2 | 22020 | 17820 | 4200 | 319800 |
| 1998 | 1 | 3 | 21989 | 17589 | 4400 | 315400 |
| 1999 | 1 | 4 | 22047 | 17347 | 4700 | 310700 |
| 2000 | 1 | 5 | 21988 | 17088 | 4900 | 305800 |
| 2001 | 1 | 6 | 22019 | 16819 | 5200 | 300600 |
| 2002 | 1 | 7 | 22033 | 16533 | 5500 | 295100 |
| 2003 | 1 | 8 | 22030 | 16230 | 5800 | 289300 |
| 2004 | 1 | 9 | 22011 | 15911 | 6100 | 283200 |
| 2005 | 1 | 10 | 21976 | 15576 | 6400 | 276800 |
| 2006 | 1 | 11 | 22024 | 15224 | 6800 | 270000 |
| 2007 | 1 | 12 | 22050 | 14850 | 7200 | 262800 |
| 2008 | 1 | 13 | 22054 | 14454 | 7600 | 255200 |
| 2009 | 1 | 14 | 22036 | 14036 | 8000 | 247200 |
| 2010 | 1 | 15 | 21996 | 13596 | 8400 | 238800 |
| 2011 | 1 | 16 | 22034 | 13134 | 8900 | 229900 |
| 2012 | 1 | 17 | 22044 | 12644 | 9400 | 220500 |
| 2013 | 1 | 18 | 22027 | 12127 | 9900 | 210600 |
| 2014 | 1 | 19 | 21983 | 11583 | 10400 | 200200 |
| 2015 | 1 | 20 | 22011 | 11011 | 11000 | 189200 |
| 2016 | 1 | 21 | 22006 | 10406 | 11600 | 177600 |
| 2017 | 1 | 22 | 21968 | 9768 | 12200 | 165400 |
| 2018 | 1 | 23 | 21997 | 9097 | 12900 | 152500 |
| 2019 | 1 | 24 | 21987 | 8387 | 13600 | 138900 |
| 2020 | 1 | 25 | 22039 | 7639 | 14400 | 124500 |
| 2021 | 1 | 26 | 22047 | 6847 | 15200 | 109300 |
| 2022 | 1 | 27 | 22011 | 6011 | 16000 | 93300 |
| 2023 | 1 | 28 | 22031 | 5131 | 16900 | 76400 |
| 2024 | 1 | 29 | 22002 | 4202 | 17800 | 58600 |
| 2025 | 1 | 30 | 22023 | 3223 | 18800 | 39800 |
| 2026 | 1 | 31 | 21989 | 2189 | 19800 | 20000 |
| 2027 | 1 | 32 | 21100 | 1100 | 20000 | 0 |
| TOTALS | | | \$703,612.00 | \$375,612.00 | \$328,000.00 | |

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

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United States Department of Agriculture
 CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

| | | | |
|--|--------|--|---------|
| Name of Borrower: South Woodford Water District | | | |
| Amount of Loan | 118000 | Annual Interest Rate | 0.05375 |
| Number of Initial Interest Only Payments | 2 | Number of principal and/or Interest Payments | 30 |
| Payment Frequency | Annual | This is a split payment bond. | No |
| Principal Payment Units | 100 | Interest Payment Units. | 1 |

| Year | Period | Number | Payment | Interest | Principal | Balance |
|---------------|--------|--------|---------------------|---------------------|---------------------|---------|
| 1996 | 1 | 1 | 6342 | 6342 | 0 | 118000 |
| 1997 | 1 | 2 | 6342 | 6342 | 0 | 118000 |
| 1998 | 1 | 3 | 8242 | 6342 | 1900 | 116100 |
| 1999 | 1 | 4 | 8240 | 6240 | 2000 | 114100 |
| 2000 | 1 | 5 | 8232 | 6132 | 2100 | 112000 |
| 2001 | 1 | 6 | 8220 | 6020 | 2200 | 109800 |
| 2002 | 1 | 7 | 8201 | 5901 | 2300 | 107500 |
| 2003 | 1 | 8 | 8278 | 5778 | 2500 | 105000 |
| 2004 | 1 | 9 | 8243 | 5643 | 2600 | 102400 |
| 2005 | 1 | 10 | 8204 | 5504 | 2700 | 99700 |
| 2006 | 1 | 11 | 8258 | 5358 | 2900 | 96800 |
| 2007 | 1 | 12 | 8203 | 5203 | 3000 | 93800 |
| 2008 | 1 | 13 | 8241 | 5041 | 3200 | 90600 |
| 2009 | 1 | 14 | 8269 | 4869 | 3400 | 87200 |
| 2010 | 1 | 15 | 8287 | 4687 | 3600 | 83600 |
| 2011 | 1 | 16 | 8293 | 4493 | 3800 | 79800 |
| 2012 | 1 | 17 | 8289 | 4289 | 4000 | 75800 |
| 2013 | 1 | 18 | 8274 | 4074 | 4200 | 71600 |
| 2014 | 1 | 19 | 8248 | 3848 | 4400 | 67200 |
| 2015 | 1 | 20 | 8212 | 3612 | 4600 | 62600 |
| 2016 | 1 | 21 | 8264 | 3364 | 4900 | 57700 |
| 2017 | 1 | 22 | 8201 | 3101 | 5100 | 52600 |
| 2018 | 1 | 23 | 8227 | 2827 | 5400 | 47200 |
| 2019 | 1 | 24 | 8237 | 2537 | 5700 | 41500 |
| 2020 | 1 | 25 | 8230 | 2230 | 6000 | 35500 |
| 2021 | 1 | 26 | 8208 | 1908 | 6300 | 29200 |
| 2022 | 1 | 27 | 8269 | 1569 | 6700 | 22500 |
| 2023 | 1 | 28 | 8209 | 1209 | 7000 | 15500 |
| 2024 | 1 | 29 | 8233 | 833 | 7400 | 8100 |
| 2025 | 1 | 30 | 8535 | 435 | 8100 | 0 |
| TOTALS | | | \$243,731.00 | \$125,731.00 | \$118,000.00 | |

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

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United States Department of Agriculture
CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

| | | | |
|---|--------|--|---------|
| Name of Borrower: South Woodford Water District | | | |
| Amount of Loan | 293000 | Annual Interest Rate | 0.04375 |
| Number of Initial Interest Only Payments | 2 | Number of principal and/or Interest Payments | 40 |
| Payment Frequency | Annual | This is a split payment bond | No |
| Principal Payment Units | 100 | Interest Payment Units | 1 |

| Year | Period | Number | Payment | Interest | Principal | Balance |
|---------------|--------|--------|---------------------|---------------------|---------------------|---------|
| 2000 | 1 | 1 | 12818 | 12818 | 0 | 293000 |
| 2001 | 1 | 2 | 12818 | 12818 | 0 | 293000 |
| 2002 | 1 | 3 | 15918 | 12818 | 3100 | 289900 |
| 2003 | 1 | 4 | 15983 | 12683 | 3300 | 286600 |
| 2004 | 1 | 5 | 15938 | 12538 | 3400 | 283200 |
| 2005 | 1 | 6 | 15990 | 12390 | 3600 | 279600 |
| 2006 | 1 | 7 | 15932 | 12232 | 3700 | 275900 |
| 2007 | 1 | 8 | 15970 | 12070 | 3900 | 272000 |
| 2008 | 1 | 9 | 16000 | 11900 | 4100 | 267900 |
| 2009 | 1 | 10 | 15920 | 11720 | 4200 | 263700 |
| 2010 | 1 | 11 | 15936 | 11536 | 4400 | 259300 |
| 2011 | 1 | 12 | 15944 | 11344 | 4600 | 254700 |
| 2012 | 1 | 13 | 15943 | 11143 | 4800 | 249900 |
| 2013 | 1 | 14 | 15933 | 10933 | 5000 | 244900 |
| 2014 | 1 | 15 | 15914 | 10714 | 5200 | 239700 |
| 2015 | 1 | 16 | 15986 | 10486 | 5500 | 234200 |
| 2016 | 1 | 17 | 15946 | 10246 | 5700 | 228500 |
| 2017 | 1 | 18 | 15996 | 9996 | 6000 | 222500 |
| 2018 | 1 | 19 | 15934 | 9734 | 6200 | 216300 |
| 2019 | 1 | 20 | 15963 | 9463 | 6500 | 209800 |
| 2020 | 1 | 21 | 15978 | 9178 | 6800 | 203000 |
| 2021 | 1 | 22 | 15981 | 8881 | 7100 | 195900 |
| 2022 | 1 | 23 | 15970 | 8570 | 7400 | 188500 |
| 2023 | 1 | 24 | 15946 | 8246 | 7700 | 180800 |
| 2024 | 1 | 25 | 15910 | 7910 | 8000 | 172800 |
| 2025 | 1 | 26 | 15960 | 7560 | 8400 | 164400 |
| 2026 | 1 | 27 | 15992 | 7192 | 8800 | 155600 |
| 2027 | 1 | 28 | 15907 | 6807 | 9100 | 146500 |
| 2028 | 1 | 29 | 15909 | 6409 | 9500 | 137000 |
| 2029 | 1 | 30 | 15993 | 5993 | 10000 | 127000 |
| 2030 | 1 | 31 | 15956 | 5556 | 10400 | 116600 |
| 2031 | 1 | 32 | 16001 | 5101 | 10900 | 105700 |
| 2032 | 1 | 33 | 15924 | 4624 | 11300 | 94400 |
| 2033 | 1 | 34 | 15930 | 4130 | 11800 | 82600 |
| 2034 | 1 | 35 | 15913 | 3613 | 12300 | 70300 |
| 2035 | 1 | 36 | 15975 | 3075 | 12900 | 57400 |
| 2036 | 1 | 37 | 15911 | 2511 | 13400 | 44000 |
| 2037 | 1 | 38 | 15925 | 1925 | 14000 | 30000 |
| 2038 | 1 | 39 | 15912 | 1312 | 14600 | 15400 |
| 2039 | 1 | 40 | 16073 | 673 | 15400 | 0 |
| TOTALS | | | \$631,848.00 | \$338,848.00 | \$293,000.00 | |

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

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United States Department of Agriculture
 CPAP - Community Program Application Processing



CPAP - Bond Schedule Detail

| | | | |
|---|--------|--|---------|
| Name of Borrower: South Woodford Water District | | | |
| Amount of Loan | 53000 | Annual Interest Rate | 0.04375 |
| Number of Initial Interest Only Payments | 2 | Number of principal and/or Interest Payments | 40 |
| Payment Frequency | Annual | This is a split payment bond | No |
| Principal Payment Units | 100 | Interest Payment Units | 100 |

| Year | Period | Number | Payment | Interest | Principal | Balance |
|---------------|--------|--------|---------------------|--------------------|--------------------|---------|
| 2000 | 1 | 1 | 2400 | 2400 | 0 | 53000 |
| 2001 | 1 | 2 | 2400 | 2400 | 0 | 53000 |
| 2002 | 1 | 3 | 2900 | 2400 | 500 | 52500 |
| 2003 | 1 | 4 | 2900 | 2300 | 600 | 51900 |
| 2004 | 1 | 5 | 2900 | 2300 | 600 | 51300 |
| 2005 | 1 | 6 | 2900 | 2300 | 600 | 50700 |
| 2006 | 1 | 7 | 2900 | 2300 | 600 | 50100 |
| 2007 | 1 | 8 | 2900 | 2200 | 700 | 49400 |
| 2008 | 1 | 9 | 2900 | 2200 | 700 | 48700 |
| 2009 | 1 | 10 | 2900 | 2200 | 700 | 48000 |
| 2010 | 1 | 11 | 2900 | 2100 | 800 | 47200 |
| 2011 | 1 | 12 | 2900 | 2100 | 800 | 46400 |
| 2012 | 1 | 13 | 2900 | 2100 | 800 | 45600 |
| 2013 | 1 | 14 | 2900 | 2000 | 900 | 44700 |
| 2014 | 1 | 15 | 2900 | 2000 | 900 | 43800 |
| 2015 | 1 | 16 | 2900 | 2000 | 900 | 42900 |
| 2016 | 1 | 17 | 2900 | 1900 | 1000 | 41900 |
| 2017 | 1 | 18 | 2900 | 1900 | 1000 | 40900 |
| 2018 | 1 | 19 | 2900 | 1800 | 1100 | 39800 |
| 2019 | 1 | 20 | 2900 | 1800 | 1100 | 38700 |
| 2020 | 1 | 21 | 2900 | 1700 | 1200 | 37500 |
| 2021 | 1 | 22 | 2900 | 1700 | 1200 | 36300 |
| 2022 | 1 | 23 | 2900 | 1600 | 1300 | 35000 |
| 2023 | 1 | 24 | 2900 | 1600 | 1300 | 33700 |
| 2024 | 1 | 25 | 2900 | 1500 | 1400 | 32300 |
| 2025 | 1 | 26 | 2900 | 1500 | 1400 | 30900 |
| 2026 | 1 | 27 | 2900 | 1400 | 1500 | 29400 |
| 2027 | 1 | 28 | 2900 | 1300 | 1600 | 27800 |
| 2028 | 1 | 29 | 2900 | 1300 | 1600 | 26200 |
| 2029 | 1 | 30 | 2900 | 1200 | 1700 | 24500 |
| 2030 | 1 | 31 | 2900 | 1100 | 1800 | 22700 |
| 2031 | 1 | 32 | 2900 | 1000 | 1900 | 20800 |
| 2032 | 1 | 33 | 2900 | 1000 | 1900 | 18900 |
| 2033 | 1 | 34 | 2900 | 900 | 2000 | 16900 |
| 2034 | 1 | 35 | 2900 | 800 | 2100 | 14800 |
| 2035 | 1 | 36 | 2900 | 700 | 2200 | 12600 |
| 2036 | 1 | 37 | 2900 | 600 | 2300 | 10300 |
| 2037 | 1 | 38 | 2900 | 500 | 2400 | 7900 |
| 2038 | 1 | 39 | 2900 | 400 | 2500 | 5400 |
| 2039 | 1 | 40 | 5700 | 300 | 5400 | 0 |
| TOTALS | | | \$117,800.00 | \$64,800.00 | \$53,000.00 | |

Warning: This schedule is an estimate of payments. Rural Development calculates interest amounts and principle reduction as of the date the payment is processed. Because over the life of the loan payments will be processed on dates other than the due date, the actual interest amounts and principle reduction will not match the schedule provided here.

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KRWFC Flexible Term Program Series 2007 A
Sinking Fund Payment Schedule

Borrower: South Woodford Water District
Closing Date: 01/30/07

| | Monthly Principal | Monthly Interest | Total Monthly Sinking Fund Payments |
|-----------|----------------------|---------------------|---|
| 3/7-7/7 | 960.00 | 2,078.48 | 3,038.48 |
| 8/7-1/8 | 1,200.00 | 1,722.50 | 2,922.50 |
| 2/8-7/8 | 1,000.00 | 1,682.00 | 2,682.00 |
| 8/8-1/9 | 1,000.00 | 1,682.00 | 2,682.00 |
| 2/9-7/9 | 1,000.00 | 1,641.50 | 2,641.50 |
| 8/9-1/10 | 1,000.00 | 1,641.50 | 2,641.50 |
| 2/10-7/10 | 1,083.33 | 1,601.00 | 2,684.33 |
| 8/10-1/11 | 1,083.33 | 1,601.00 | 2,684.33 |
| 2/11-7/11 | 1,166.67 | 1,557.13 | 2,723.79 |
| 8/11-1/12 | 1,166.67 | 1,557.13 | 2,723.79 |
| 2/12-7/12 | 1,166.67 | 1,509.88 | 2,676.54 |
| 8/12-1/13 | 1,166.67 | 1,509.88 | 2,676.54 |
| 2/13-7/13 | 1,250.00 | 1,462.63 | 2,712.63 |
| 8/13-1/14 | 1,250.00 | 1,462.63 | 2,712.63 |
| 2/14-7/14 | 1,250.00 | 1,412.00 | 2,662.00 |
| 8/14-1/15 | 1,250.00 | 1,412.00 | 2,662.00 |
| 2/15-7/15 | 1,333.33 | 1,361.38 | 2,694.71 |
| 8/15-1/16 | 1,333.33 | 1,361.38 | 2,694.71 |
| 2/16-7/16 | 1,416.67 | 1,307.38 | 2,724.04 |
| 8/16-1/17 | 1,416.67 | 1,307.38 | 2,724.04 |
| 2/17-7/17 | 1,416.67 | 1,250.00 | 2,666.67 |
| 8/17-1/18 | 1,416.67 | 1,250.00 | 2,666.67 |
| 2/18-7/18 | 1,500.00 | 1,192.63 | 2,692.63 |
| 8/18-1/19 | 1,500.00 | 1,192.63 | 2,692.63 |
| 2/19-7/19 | 1,583.33 | 1,131.88 | 2,715.21 |
| 8/19-1-20 | 1,583.33 | 1,131.88 | 2,715.21 |
| 2/20-7/20 | 1,583.33 | 1,067.75 | 2,651.08 |
| 8/20-1/21 | 1,583.33 | 1,067.75 | 2,651.08 |
| 2/21-7/21 | 1,666.67 | 1,003.63 | 2,670.29 |
| 8/21-1/22 | 1,666.67 | 1,003.63 | 2,670.29 |
| 2/22-7/22 | 1,750.00 | 936.13 | 2,686.13 |
| 8/22-1/23 | 1,750.00 | 936.13 | 2,686.13 |
| 2/23-7/23 | 1,833.33 | 863.06 | 2,696.40 |
| 8/23-1/24 | 1,833.33 | 863.06 | 2,696.40 |
| 2/24-7/24 | 1,916.67 | 784.23 | 2,700.90 |
| 8/24-1/25 | 1,916.67 | 784.23 | 2,700.90 |
| 2/25-7/25 | 2,000.00 | 701.81 | 2,701.81 |
| 8/25-1/26 | 2,000.00 | 701.81 | 2,701.81 |
| 2/26-7/26 | 2,083.33 | 615.81 | 2,699.15 |
| 8/26-1/27 | 2,083.33 | 615.81 | 2,699.15 |
| 2/27-7/27 | 2,166.67 | 523.63 | 2,690.29 |
| 8/27-1/28 | 2,166.67 | 523.63 | 2,690.29 |
| 2/28-7/28 | 2,250.00 | 427.75 | 2,677.75 |
| 8/28-1/29 | 2,250.00 | 427.75 | 2,677.75 |
| 2/29-7/29 | 2,333.33 | 328.19 | 2,661.52 |
| 8/29-1/30 | 2,333.33 | 328.19 | 2,661.52 |
| 2/30-7/30 | 2,500.00 | 224.94 | 2,724.94 |
| 8/30-1/31 | 2,500.00 | 224.94 | 2,724.94 |
| 2/31-7/31 | 2,583.33 | 114.31 | 2,697.65 |
| 8/31-1/32 | 2,583.33 | 114.31 | 2,697.65 |
| | <u>490,000.00</u> | <u>317,134.74</u> | <u>807,134.74</u> |

← till 1/20/22
amount changes
every 6 months,
on Jan 20 and
July 20

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 South Woodford Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
|---|--|---------------------------|
| | | |
| | | |
| | | |
| | | |

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

David W Hudson
(Print Name)

David W. Hudson
(Signed)

Treasurer, 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.

COMMONWEALTH OF KENTUCKY

COUNTY OF Woodford

Subscribed and sworn to before me by David Hudson
(Name)

this 14 day of March, 2022.

John Miller-Cyer
NOTARY PUBLIC
State-at-Large



**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Yes South Woodford Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
|---|--|---------------------------|
| | | |
| | | |
| | | |
| | | |

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

EDWIN R LIPPERT
(Print Name)

Edwin R. Lippert
(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.

COMMONWEALTH OF KENTUCKY

COUNTY OF Woodford

Subscribed and sworn to before me by Edwin R Lippert
(Name)

this 14 day of March, 2022.

Josh M. Cole
NOTARY PUBLIC
State-at-Large



**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between South Woodford Water District ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

| Name of Related Party (Individual or Business) | Type of Service Provided By Related Party | Amount of Compensation |
|---|--|---------------------------|
| | | |
| | | |
| | | |
| | | |

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Barry Drury
(Print Name)

Barry Drury
(Signed)

Chairman of Board
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Woodford

Subscribed and sworn to before me by Barry Drury
(Name)

this 14 day of March, 2022.

John M. Cole
NOTARY PUBLIC
State-at-Large



Attachment #11

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SOUTH WOODFORD 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 ADJUSTMENTS

WHEREAS, the South Woodford Water District ("District") is a water district created and organized under the provisions of KRS Chapter 74. The District is subject to the jurisdiction of the Kentucky Public Service Commission ("PSC");

WHEREAS, prudent financial management dictates that the District take appropriate action to adjust its water and sewer rates and charges; and

WHEREAS, KRS 278.180 and 807 KAR 5:076 provide the legal mechanism for the Association to propose adjustments to its water rates and charges;

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTH WOODFORD 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 adjustments 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.

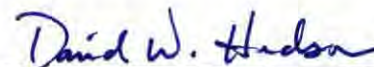
Section 5. This Resolution shall take effect upon its adoption.

ADOPTED BY THE BOARD OF DIRECTORS OF THE SOUTH WOODFORD WATER DISTRICT at a meeting held on February 8, 2022, signed by the Chairman, and attested by the Secretary.



CHAIRMAN

ATTEST:



SECRETARY

CERTIFICATION

I, Secretary of the South Woodford 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 February 8, 2022, signed by the Chairman of the District, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 8th day of February 2022.



SECRETARY

APPENDIX A

CURRENT AND PROPOSED RATES
SOUTH WOODFORD WATER DISTRICT

RETAIL RATES

| <u>Rate per Thousand Gallons</u> <u>per Month</u> | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> | |
|--|----------------|-----------------|-------------------|--------|
| First 2,000 Gallons | \$ 20.48 | \$ 22.82 | \$ 2.34 | 11.43% |
| Next 2,000 Gallons | \$ 4.99 | \$ 5.56 | \$ 0.57 | 11.42% |
| Next 6,000 Gallons | \$ 4.78 | \$ 5.33 | \$ 0.55 | 11.51% |
| Next 90,000 Gallons | \$ 4.45 | \$ 4.96 | \$ 0.51 | 11.46% |
| Over 100,000 Gallons | 4.05 | \$ 4.51 | \$ 0.46 | 11.36% |

WATER LOSS REDUCTION SURCHARGE

| <u>Amount per Customer</u> <u>per month</u> | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> | |
|--|----------------|-----------------|-------------------|---------|
| | \$ - | \$ 3.87 | \$ 3.87 | 100.00% |