

TRANSCRIPT OF PROCEEDINGS

**RATTLESNAKE RIDGE WATER DISTRICT
LOAN IN THE AMOUNT OF \$665,000**

FROM THE

**KENTUCKY RURAL WATER FINANCE CORPORATION
PUBLIC PROJECTS REFUNDING AND IMPROVEMENT REVENUE BONDS
(FLEXIBLE TERM PROGRAM)
SERIES 2008C
DATED MAY 29, 2008
IN THE AMOUNT OF \$7,300,000**

APPROVING LEGAL OPINION

By

RUBIN & HAYS
Municipal Bond Attorneys
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
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TRANSCRIPT OF PROCEEDINGS INDEX

Re: Loan in the amount of \$665,000, dated May 29, 2008, to the Rattlesnake Ridge Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2008C.

ASSISTANCE AGREEMENT AND CLOSING DOCUMENTATION

- a. Resolution.
- b. Minutes.
- c. Assistance Agreement.
- d. PSC Application.
- e. PSC Final Order.
- f. Letter of the State Local Debt Officer.
- g. Certificate of Officers.
- h. Arbitrage Certificate.
- i. Supplemental Tax Certificate.
- j. Rural Development Consent to Issuance.
- k. Legal Opinion of Rubin & Hays.

RESOLUTION

RESOLUTION OF THE RATTLESNAKE RIDGE WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT WITH THE KENTUCKY RURAL WATER FINANCE CORPORATION FOR THE PURPOSE OF REFINANCING AND CURRENTLY REFUNDING CERTAIN OBLIGATIONS OF THE DISTRICT

WHEREAS, the Rattlesnake Ridge Water District (the "District") currently has outstanding the Rattlesnake Ridge Water District Waterworks Refunding Revenue Bonds, Series 1996, dated February 20, 1996, in the original authorized principal amount of \$875,000 (the "Series 1996 Bonds"); and

WHEREAS, the Series 1996 Bonds were issued by the District to finance the cost to currently refund the Rattlesnake Ridge Water District Water System Revenue Bonds, 1984 Series A and B, dated April 23, 1985, in the original authorized principal amount of \$786,000, consisting of \$706,000 of Series A Bonds and \$80,000 of Series B Bonds; and

WHEREAS, the District has determined that it is in the public interest to refinance and currently refund the Series 1996 Bonds; 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 refinance and currently refund the outstanding Series 1996 Bonds, pay the accrued interest on the Series 1996 Bonds, if any, and to pay costs of issuance, if necessary (collectively the "Project") and has made an application to the Corporation therefore; and

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

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

1. Authorization of Assistance Agreement and the Obligations Thereunder. For the purpose of paying the costs, not otherwise provided, of the Project, the District hereby authorizes and approves the issuance of its obligations pursuant to the Assistance Agreement in the aggregate principal amount of \$660,000 (subject to adjustment plus or minus ten percent (10%)) [the "Obligations"], which amount 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 System. The revenues of the District's waterworks system (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 March 3, 2008.

RATTLESNAKE RIDGE WATER
DISTRICT

By  _____
Chairman

Attest:

By  _____
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Rattlesnake Ridge Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Governing Authority of the Rattlesnake Ridge Water District at a meeting duly held on March 3, 2008; 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 March 3, 2008.

 _____
Secretary

MINUTES
RATTLESNAKE RDIGE WATER DISTRICT
March 3, 2008

The regular monthly meeting of the RRWD Board was called to order at 5:45 p.m. by Chairman Bill Gilbert. Present were Ben Harmon, Larry Carroll, and Bernie McDaniel, Commissioners; RRWD Staff, Joe Sisler of SME and Bryan Kirby, CDBG Administrator. Commissioner Chuck Horton was absent due to family illness.

Written copies of February meeting minutes were reviewed by Board and corrections made. With corrections, motion by Bill Gilbert, second by Ben Harmon to approve minutes. Passed 4-0.

Joe Sisler of SME met with RRWD staff and contractors in construction meeting earlier today at 4 p.m. From that meeting he reported:

Project is 80% complete with cut-off date being February 20, 2008;

Rte 201 is finished and being flushed and waiting on water sample results;

Wells Br. is finished except pump station. Connie Sexton will donate land for station. Chairman Gilbert signed the deed for that land;

A possible change-order may be forth-coming to finish the Wells Br. Station;

Approximately ½ of the customers on Brushy Creek are now on line;

As of March 3, 2008 the project is finished. Any additional signers will pay \$700.00 plus \$50.00 deposit for service.

Chairman Gilbert signed the following documents related to project:

G & W Construction estimate #5 amount \$7045.07;

SME invoice 03002 7A-AML amount \$6,781.75;

AML request #6 amount \$84,016.80;

Change order 4 amount \$32,306.51.

Next construction meeting set April 7, 2008 at 4 p.m.

In other matters SME and Bryan Kirby discussed at length the revised, proposed budget for Phase VIII-B including C-1 contract.

Bryan Kirby has set April 8 at 6 p.m. for a CDBG public hearing at RRWD.

The possible water connection to City of Olive Hill was discussed among Bryan Kirby and SME.

The expansion at the prison was also discussed. RRWD will continue to monitor both the prison and Olive Hill projects.

Motion by Ben Harmon second by Bernie McDaniel to authorize SME to complete final designs for tank, pump stations and upgrades. Passed 4-0.

W.C. Gilbert and staff discussed possible tank site at Dr. Webb or Corps of Engineer property near Grayson Lake. RRWD will continue to look at sites.

Chairman Bill Gilbert announced the following personnel changes as a result of Danny Stamper leaving RRWD due to extended illness effective March 15, 2008. W.C. Gilbert will become Field Manager with all field operations and water plant except water treatment; James Jones will become Field Foreman; Chris Stamper will become Office Clerk in charge of all office duties. All appointees have several years seniority.

Motion by Bill Gilbert second by Ben Harmon to remove Danny Stamper's signature on all bank cards and to add W.C. Gilbert to all cards. Passed 4-0.

Chris Stamper reported auditors will report to RRWD on March 20 at 4 p.m. at office. Chris also discussed need to file for District water rate increases as soon as possible for PSC approval.

Motion by Bill Gilbert and second by Bernie McDaniel to approve and authorize RRWD assistance agreement with Kentucky Rural Water Finance Corporation. Passed 4-0.

Kristen Millard of Morgan Keegan was present to discuss refinancing and refunding of RRWD bonds. Chairman Gilbert will sign all necessary resolutions and documents. RRWD will save several thousand dollars by this action. Morgan Keegan has worked with RRWD before.

Motion by Bill Gilbert second by Bernie McDaniel to authorize \$500,000.00 Fidelity Bond to cover all employees. Passed 4-0

Sartaine case discussed briefly. An order has been sent to RRWD.

Bertie Holbrook case of stealing water was discussed. RRWD staff will shut off water at main line to stop theft.

Lester Bowling of water plant discussed some need to use epoxy paint on floor of plant.

A quarterly compilation of District was recommended by auditors at a cost of \$300.00 per quarter. RRWD tabled matter until later date.

An April 17 seminar for commissioners will be held at Morehead. Sign up with W.C. Gilbert.

Chris Stamper presented monthly report which was incomplete because of auditors still working.

Motion by Bill Gilbert second by Ben Harmon to approve bills as paid. Passed 4-0.

Motion to adjourn by consensus.

Larry Cawell, secretary Bill Gilbert CHAIRMAN

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY RURAL WATER FINANCE CORPORATION
AND
RATTLESNAKE RIDGE WATER DISTRICT
DATED
MAY 29, 2008
IN THE AMOUNT OF \$665,000

This document was prepared by:

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By

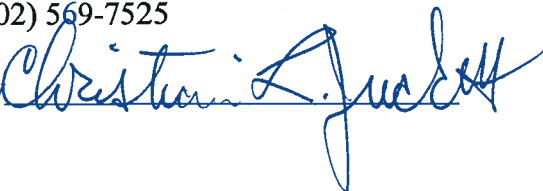


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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of May 29, 2008 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit corporation and instrumentality of the various entities of the Commonwealth of Kentucky (the "Issuer") and the Rattlesnake Ridge Water District, P.O. Box 475, Grayson, Kentucky 41143 of Carter, Elliott, Morgan and Lawrence Counties (the "Governmental Agency"):

WITNESSETH

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the "Program") designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer issued its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001, dated April 4, 2001, in the aggregate principal amount of \$46,000,000 (the "Series 2001 Bonds") pursuant to a Trust Indenture dated as of April 4, 2001 (the "Indenture") between the Issuer and The Bank of New York Trust Company, N.A. (as successor in interest to Fifth Third Bank), as trustee, the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to Assistance Agreements; and

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2008C (the "Series 2008C Bonds") in the aggregate principal amount of \$7,300,000, pursuant to a Supplemental Trust Indenture No. 31, dated as of May 29, 2008 by and between the Issuer and Regions Bank, Nashville, Tennessee (the "Trustee"), which Series 2008C Bonds will rank on a parity with the Series 2001 Bonds and the proceeds of which will be used by certain Governmental Agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the Governmental Agencies and the Issuer; and

WHEREAS, the Governmental Agency has outstanding its Rattlesnake Ridge Water District Waterworks Refunding Revenue Bonds, Series 1996, dated February 20, 1996, in the original authorized principal amount of \$875,000 (the "Series 1996 Bonds"), which bonds were issued by the Governmental Agency to currently refund the Rattlesnake Ridge Water District Water System Revenue Bonds, 1984 Series A and B, originally consisting of \$706,000 of Series A Bonds and \$80,000 of Series B Bonds, dated April 23, 1985, which were issued to make improvements and extensions to the Governmental Agency's waterworks system (the "System"); and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to currently refund the Series 1996 Bonds, in order to effect substantial debt service savings (the "Project"), and the Issuer has determined that the Project is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

WHEREAS, the Governmental Agency has designated the Issuer as its instrumentality and agency; and

WHEREAS, pursuant to this Assistance Agreement the Governmental Agency will proceed with the Project; and

WHEREAS, in and by the Prior Bond Legislation (as hereinafter defined), the right and privilege was reserved by the Governmental Agency under conditions and restrictions set out in said Prior Bond Legislation, of issuing additional bonds from time to time, payable from the income and revenues of the System and ranking on a parity with the Governmental Agency's outstanding Prior Bonds (as hereinafter defined), for the purpose, among other things, of financing the costs of extensions, additions and improvements to the System and refinancing certain outstanding indebtedness, which conditions and restrictions are found to currently exist and prevail so as to permit the issuance of certain proposed additional bonds so as to rank, when issued, on a parity with the outstanding Prior Bonds; and

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$665,000 [the "Obligations"], for the purpose of providing funds for the Project, and to reaffirm the conditions and restrictions under which similar bonds or obligations may be subsequently issued ranking on a parity therewith; and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, and under the provisions of the Prior Bond Legislation, the Governmental Agency is authorized to enter into this Assistance Agreement and to borrow the Obligations to provide such funds for the purpose aforesaid; and

WHEREAS, the Issuer is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained; and

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

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

Section 1. Definitions. As used in this Assistance Agreement, unless the context requires otherwise:

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

"*Assistance Agreement*" refers to this Assistance Agreement authorizing the Loan and the Obligations.

"*Bond Counsel*" refers to Rubin & Hays, Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202, or any other nationally recognized individual or firm in the field of municipal bond law.

"*Bond Legislation of 1989*" or "*1989 Bond Legislation*" refer to the Resolution authorizing the Bonds of 1989, duly adopted by the Governing Body of the Governmental Agency on February 3, 1989.

"*Bond Legislation of 1992*" or "*1992 Bond Legislation*" refer to the Resolution authorizing the Bonds of 1992, duly adopted by the Governing Body of the Governmental Agency on May 4, 1992.

"*Bond Legislation of 1994*" or "*1994 Bond Legislation*" refer to the Resolution authorizing the Bonds of 1994, duly adopted by the Governing Body of the Governmental Agency on October 7, 1994.

"*Bond Legislation of 1995*" or "*1995 Bond Legislation*" refer to the Resolution authorizing the Bonds of 1995, duly adopted by the Governing Body of the Governmental Agency on November 6, 1995.

"*Bond Legislation of 1996*" or "*1996 Bond Legislation*" refer to the Resolution authorizing the Bonds of 1996, duly adopted by the Governing Body of the Governmental Agency on January 17, 1996.

"*Bond Legislation of 2000*" or "*2000 Bond Legislation*" refer to the Resolution authorizing the Bonds of 2000, duly adopted by the Governing Body of the Governmental Agency on June 21, 2000.

"*Bond Legislation of 2001*" or "*2001 Bond Legislation*" refer to the Resolution authorizing the Bonds of 2001, duly adopted by the Governing Body of the Governmental Agency on January 26, 2001.

"*Bond Legislation of 2004*" or "*2004 Bond Legislation*" refer to the Resolution authorizing the Bonds of 2004, duly adopted by the Governing Body of the Governmental Agency on January 5, 2004.

"Bondowner", "Owner", "Bondholder" means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Bonds at the time issued and outstanding hereunder.

"Bonds" refers to the Obligations, the Prior Bonds and any additional Parity Bonds.

"Bonds of 1989" or "Series 1989 Bonds" refer to the outstanding Rattlesnake Ridge Water District Water System Revenue Bonds, Series of 1989, dated June 6, 1989, in the original authorized principal amount of \$195,000.

"Bonds of 1992" or "Series 1992 Bonds" refer to the outstanding Rattlesnake Ridge Water District Water System Revenue Bonds, Series of 1992, dated September 2, 1992, in the original authorized principal amount of \$365,000.

"Bonds of 1994" or "Series 1994 Bonds" refer to the outstanding Rattlesnake Ridge Water District Water System Revenue Bonds, 1994 Series A and B, dated May 8, 1995, in the original authorized principal amount of \$631,000.

"Bonds of 1995" or "Series 1995 Bonds" refer to the outstanding Rattlesnake Ridge Water District Waterworks Revenue Bonds, 1995 Series A and B, dated September 6, 1996, in the original authorized principal amount of \$545,000.

"Bonds of 1996" or "Series 1996 Bonds" refer to the outstanding Rattlesnake Ridge Water District Waterworks Refunding Revenue Bonds, Series 1996, dated February 1, 1996, in the original authorized principal amount of \$875,000.

"Bonds of 2000" or "Series 2000 Bonds" refer to the Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series 2000, dated October 2, 2001, in the original authorized principal amount of \$1,325,000, consisting of \$900,000 of Series A Bonds and \$425,000 of Series B Bonds.

"Bonds of 2001" or "Series 2001 Bonds" refer to the Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series 2001, dated June 21, 2001, in the original authorized principal amount of \$960,000, consisting of \$900,000 of Series A Bonds and \$60,000 of Series B Bonds.

"Bonds of 2004" or "Series 2004 Bonds" refer to the Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series 2004, dated June 4, 2004, in the original authorized principal amount of \$1,889,000, consisting of \$1,340,000 of Series A Bonds and \$549,000 of Series B Bonds.

"Certified Public Accountants" refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky and knowledgeable about the affairs of the System and/or of other Governmental Agency financial matters.

"Code" refers to the United States Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

"Compliance Group" refers to the Compliance Group identified and defined in the Indenture.

"Depreciation Fund" refers to the Rattlesnake Ridge Water District Water Depreciation Fund, created in the Prior Bond Legislation and which fund will continue to be maintained for the benefit of all of the Bonds.

"Engineer" or "Independent Consulting Engineer" refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks and sewer engineering.

"Funds" refers to the Revenue Fund, the Sinking Fund, the Operation and Maintenance Fund, the Depreciation Fund, and the Governmental Agency Account.

"Governing Body" means the Board of Commissioners of the Governmental Agency or such other body as shall be the governing body of said Governmental Agency under the laws of Kentucky at any given time.

"Governmental Agency" refers to the Rattlesnake Ridge Water District, P.O. Box 475, Grayson, Kentucky 41143 of Carter, Elliott, Morgan and Lawrence Counties.

"Governmental Agency Chief Executive" refers to the Chairman of the Governmental Agency.

"Governmental Agency Clerk" refers to the Secretary of the Governmental Agency.

"Indenture" means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 31, dated May 29, 2008, by and between the Issuer and the Trustee.

"Interest Payment Date" shall mean the 1st day of each month, commencing July 1, 2008 and continuing through and including January 1, 2025 or until the Loan has been paid in full.

"Issuer" refers to the Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky.

"Obligations" refers to the Loan authorized by this Assistance Agreement in the principal amount of \$665,000.

"*Operation and Maintenance Fund*" refers to the Rattlesnake Ridge Water District Operation and Maintenance Fund, created in the Prior Bond Legislation and which fund will continue to be maintained for the benefit of all of the Bonds.

"*Outstanding Bonds*" refers collectively to all outstanding Prior Bonds, the outstanding Obligations and any outstanding Parity Bonds, and does not refer to any bonds that have been defeased.

"*Parity Bonds*" means bonds issued in the future, which will, pursuant to the provisions of this Assistance Agreement, rank on a basis of parity with the Obligations and shall not be deemed to include, nor to prohibit the issuance of, bonds ranking inferior in security to the Obligations.

"*Permitted Investments*" refers to investments of funds on deposit in the various funds created herein and includes:

- (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing an ownership interest in securities described in this clause (1);
- (2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following:

Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Federal Home Loan Mortgage Corporation or Federal Housing Administration;
- (3) repurchase agreements (including those of the Trustee or the Bank) fully secured by collateral security described in clause (1) or (2) of this definition, which collateral (a) is held by the Trustee or a third party agent during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (determined at least once every fourteen days) at least equal to the amount so invested;
- (4) certificates of deposit of, or time deposits in, any bank (including the Trustee or the Bank) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a bank holding company, the debt obligations of the bank holding company of which) have been rated at least equal to the rating assigned to the Bonds by each Rating Agency then rating the Bonds or (b) which are fully insured by the Federal Deposit Insurance Corporation or (c) which are

secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) or (2) of this definition) of a market value (valued at least quarterly) of no less than the amount of money so invested;

- (5) shares in any investment company registered under the Federal Investment Governmental Agency Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P;
- (6) tax-exempt obligations of any state of the United States, or political subdivision thereof, which are rated AA or better by S&P or mutual funds invested only in such obligations;
- (7) units of a taxable or nontaxable government money-market portfolio composed of U.S. Government obligations and repurchase agreements collateralized by such obligations;
- (8) commercial paper rated A-1 or A-1+ by S&P;
- (9) corporate notes or bonds with one year or less to maturity rated in one of the two highest Rating Categories by S&P; or
- (10) shares of mutual funds, each of which shall have the following characteristics:
 - (i) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment company Act of 1940, as amended;
 - (ii) The management company of the investment company shall have been in operation for at least five (5) years; and
 - (iii) All of the securities in the mutual fund shall be in investments in any one or more of the investments described in (1) and (3) above.

"Prior Bond Legislation" refers collectively to the 1989 Bond Legislation, the 1992 Bond Legislation, the 1994 Bond Legislation, the 1995 Bond Legislation, the 2000 Bond Legislation, the 2001 Bond Legislation and the 2004 Bond Legislation.

"Prior Bonds" refers collectively to the Series 1989 Bonds, the Series 1992 Bonds, the Series 1994 Bonds, the Series 1995 Bonds, the Series 2000 Bonds, the Series 2001 Bonds and the Series 2004 Bonds.

"*Program*" refers to the Issuer's Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvements of public projects for governmental entities.

"*Program Administrator*" refers to the Kentucky Rural Water Association, Inc., Bowling Green, Kentucky.

"*Program Reserve Fund*" refers to the Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

"*Project*" refers to financing the cost to currently refund the outstanding Series 1989 Bonds, Series 1991 Bonds, Series 1994 Bonds, and Series 1996 Bonds, with the proceeds of the Obligations.

"*Revenue Fund*" refers to the Rattlesnake Ridge Water District Water Revenue Fund, created in the Prior Bond Legislation and which fund will continue to be maintained for the benefit of all of the Bonds.

"*Sinking Fund*" refers to the Rattlesnake Ridge Water District Water System Bond and Interest Sinking Fund.

"*System*" refers to the Governmental Agency's waterworks system, together with all future extensions, additions and improvements to said System.

"*Treasurer*" refers to the Treasurer of the Governmental Agency.

"*Trustee*" refers to Regions Bank, Nashville, Tennessee.

"*U.S. Obligations*" refers to bonds, notes, or Treasury Bills, which are direct obligations of the United States of America or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government Series, and Trust Receipts representing an ownership interest in direct obligations of the United States.

Section 2. Reaffirmation of Declaration of Waterworks System. That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Governmental Agency as a municipal waterworks system are hereby in all respects ratified and confirmed; and so long as any of the Obligations hereinafter authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and maintained for the security and source of payment of the Obligations. Said System is hereby declared to constitute a public project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

Section 3. Authorization of Obligations; Place of Payment; Manner of Execution. That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 to 58.140, inclusive of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$665,000 from the Program, for the purpose of providing funds for the Project.

Said Obligations shall mature in such principal amounts, and shall bear interest as set forth in Exhibit A attached hereto.

The principal of, redemption price, if any, and interest on the Obligations shall be payable in lawful money of the United States of America on the Interest Payment Date, beginning July 1, 2008 to the Trustee for the Program. Such payment shall be made by the Governmental Agency from funds on deposit in the Sinking Fund pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") in a form as provided by the Trustee to the Governmental Agency. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

Pursuant to the ACH Debit Direct Payment Method, there shall be transferred to the Trustee on or before each Interest Payment Date, from the Sinking Fund, the amounts set forth as sinking fund payments on Exhibit A attached hereto.

In addition, in the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Obligations and any other payments due under this Assistance Agreement on behalf of the Governmental Agency (the "Reserve Withdrawal"), the Governmental Agency shall pay to the Trustee, each amount set forth as sinking fund payments on Exhibit A attached hereto, pursuant to the ACH Debit Direct Payment Method an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

Section 4. Redemption.

(a) *Optional Redemption.* Obligations maturing on and prior to January 1, 2018 shall not be subject to redemption prior to maturity. Subject to the prior written approval of the Compliance Group, Obligations maturing on or after January 1, 2019, are subject to redemption, in whole or in part, by the Governmental Agency prior to their stated maturities, at any time falling on or after January 1, 2018, at a redemption price equal to 100% of the principal amount of the Obligations called for redemption, plus unpaid interest accrued to the date of redemption.

In the event that the Governmental Agency desires to optionally redeem a portion of its Obligations, such redemption shall be in a denomination equal to \$5,000 or any integral multiple

thereof.

(b) *Notice of Redemption.* The Governmental Agency shall give the Issuer and the Trustee notice of any redemption by sending at least one such notice by first class United States mail not less than 45 and not more than 90 days prior to the date fixed for redemption.

All of said Obligations as to which the Governmental Agency reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date.

Section 5. Obligations Payable Out of Revenues on a Parity with Prior Bonds. All of the Obligations and Prior Bonds, together with the interest thereon and such additional bonds ranking on a parity therewith heretofore issued and outstanding and that may be hereafter issued and outstanding from time to time under the conditions and restrictions hereinafter set forth, shall be payable out of the Sinking Fund 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 income and revenues of the System of said Governmental Agency pledged to said fund.

Due to the parity provisions of the open market Series 1996 Bonds, the Bond Legislation of 2000, Bond Legislation of 2001 and Bond Legislation of 2004 provide that the respective bonds issued thereunder shall be secured by and payable on a second lien basis, after providing for all of the principal and interest requirements of the District's outstanding Series 1989 Bonds, Series 1992 Bonds, Series 1994 Bonds, Series 1995 Bonds and the Series 1996 Bonds. Consequently, the Bond Legislation of 2000 created a second lien sinking fund pledged for the payment of the interest on and the principal of the Series 2000 Bonds, which second lien sinking fund was subsequently pledged for the payment of the Series 2001 Bonds and Section 2004 Bonds. The Obligations will currently refund the Series 1996 Bonds. For that reason, it is no longer necessary that the Series 2000 Bonds, Series 2001 Bonds and Section 2004 Bonds be payable on a second lien basis and maintaining a second lien sinking fund for the said bonds is no longer necessary. All of the Prior Bonds are held by the Rural Development of the Department of Agriculture of the United States of America.

Section 6. Compliance with Parity Coverage Requirements of the Prior Bond Legislation. It is hereby declared that in accordance with the provisions of the Prior Bond Legislation, and prior to the issuance of any of the Obligations hereby authorized, there will be procured and filed with the Governmental Agency Clerk of said Governmental Agency any and all statements or certifications for the purpose of having both principal and interest on the Prior Bonds and the Obligations hereby authorized payable on a parity from the income and revenues of said System with said outstanding Prior Bonds.

Section 7. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Prior Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the Prior Bonds; for the operation of said System on a revenue-

producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; and for the enforcement and payment of the Prior Bonds; and all other covenants for the benefit of the bondholders set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Bonds, the same as if such provisions and proceedings were repeated in full herein; provided, further, that, hereafter, the income and revenues of the System shall be collected, segregated, accounted for, and distributed as follows:

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

B. Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Obligations and the Prior Bonds, a sum equal to the total of the following:

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

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

C. Depreciation Fund. Pursuant to the provisions of the Prior Bond Legislation, there shall next be transferred from the Revenue Fund a sum sufficient, each month, to maintain a balance in said Depreciation Fund of at least the sum required by the Prior Bond Legislation, which shall be deposited into the Depreciation Fund.

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

D. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the Governmental Agency's annual budget.

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

Provided, however, notwithstanding anything to the contrary in any Prior Bond Legislation, the Governmental Agency shall be allowed a credit to the extent of moneys on deposit in the Program Reserve Fund for the purpose of meeting any parity requirements in any Prior Bond Legislation; subject however, to the limitation that moneys in the Program Reserve Fund may only be used to make payments of the Government Agency due under this Assistance Agreement, if necessary, and; provided further, that the Trustee may not seek payment for any reserve funds held by the Governmental Agency under any Prior Bond Legislation for payment of any amounts due from the Governmental Agency under this Assistance Agreement.

Section 8. Disposition of Proceeds of the Obligations; Governmental Agency Account. Upon (i) the execution of this Assistance Agreement, (ii) the deliverance of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted in the Program, and (iv) upon receipt by the Governmental Agency of the proceeds of the Obligations, the proceeds shall be applied as follows:

(a) *Disposition of the Proceeds.* There shall first be deducted and paid from the proceeds of the Obligations the fees and costs incurred by the Governmental Agency and any other pertinent expenses incident to the issuance, sale and delivery of the Obligations and such other appropriate expenses as may be approved by the Governmental Agency Chief Executive, including but not limited to the Governmental Agency's pro rata share of the Program's fees and expenses.

The balance shall be deposited to the Governmental Agency Account to be used for the Project.

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "Rattlesnake Ridge Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and the amount on deposit in said Governmental Agency Account shall be applied to pay the interest on

the Series 1996 Bonds through July 1, 2008, as the same becomes due and payable, and to call for redemption on July 1, 2008 at a price of 102% the unpaid outstanding Series 1996 Bonds.

Investment income derived from investment of the Governmental Agency Account, which shall be invested in Permitted Investments in accordance with this Assistance Agreement, shall, as received, be deposited in the Governmental Agency Account.

The Trustee shall be obligated to send written notice to the Governmental Agency of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days. In the absence of written direction from the Governmental Agency with respect to investment of moneys held in the Governmental Agency Account, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Permitted Investments under this Assistance Agreement.

No expenditure shall be made from the Governmental Agency Account except for proper and authorized expenses relating to the Project as approved by the Governmental Agency.

After completion of the Project, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Obligations from Federal income taxation, upon orders of the Governing Body, be transferred to the Sinking Fund, to be used for the purposes thereof.

Section 9. Arbitrage Limitations.

(a) The Governmental Agency covenants that neither the proceeds of the Obligations, nor "Non-Exempt Revenues" of the System, as defined below, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Obligations, if such investment would cause such Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Obligations to be treated as "arbitrage bonds."

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

(1) amounts deposited in the Sinking Fund for the purpose of paying debt service on any Obligations against the System within thirteen (13) months from the date of deposit; and

(2) amounts deposited in the Depreciation Fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose).

(c) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set out in Subsection (a) above.

(d) On the basis of information furnished to the Governmental Agency, on known facts, circumstances and reasonable expectations on the date of enactment of this Assistance Agreement, the Governmental Agency certifies as follows:

(1) That it is not expected or contemplated that the proceeds of the Obligations will be used or invested in any manner which will cause any of the Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder.

(2) That it is not expected or contemplated that the Governmental Agency will make any use of the proceeds of the Obligations, which, if such use had been reasonably anticipated on the date of issuance of the Obligations, would have caused the Obligations to be arbitrage bonds.

(3) That it is expected and contemplated that the Governmental Agency will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Obligations will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts on deposit in the Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the outstanding Obligations and all Prior Bonds payable from said Sinking Fund.

(5) That amounts accumulated in the Sinking Fund shall not exceed the limitations set forth in this Assistance Agreement.

(6) That it is not reasonably anticipated that amounts accumulated in the Depreciation Fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such Depreciation Fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Obligations, the Governmental Agency Chief Executive and/or the Governmental Agency Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and

contemplated facts concerning such anticipated investment of the proceeds of the Obligations, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Obligations will be exempt from all federal income taxes and that the Obligations will not constitute or be treated as arbitrage bonds.

Section 10. Parity Bonds. The Obligations shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, regardless of the fact they may be actually issued and delivered at different times, and provided further that the lien and security of and for any bonds or obligations hereafter issued that are payable from the income and revenues of the System, shall, except as set out herein, be subject to the priority of the Prior Bonds and the Obligations as may from time to time be outstanding; provided the Governmental Agency has in said Prior Bond Legislation reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the Prior Bonds and with the Obligations, but only under the conditions specified in the Prior Bond Legislation, which conditions are hereinafter repeated, taking into account the issuance of the Obligations.

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

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

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

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

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

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

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

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

(e) Compliance with Subsections (a) through (d) shall not be necessary for the issuance of Parity Bonds if the Governmental Agency has obtained (1) the written consent of the Rural Development of the Department of Agriculture of the United States of America for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the Governmental Agency in order to issue Parity Bonds.

The Governmental Agency reserves the right to issue parity bonds to refund or refinance any part or all of the Prior Bonds and the Obligations, provided that prior to the issuance of such additional parity bonds for that purpose, there shall have been procured and filed with the Governmental Agency Clerk of the Governmental Agency a statement by a Certified Public Accountant, as defined herein, reciting the opinion based upon necessary investigation that:

(a) after the issuance of such parity bonds, the annual net revenues, as adjusted and defined above, of the then existing system for the fiscal year preceding the date of issuance of such Parity Bonds, after taking into account the revised debt service requirements resulting from the issuance of such Parity Bonds and from the elimination of the Bonds being refunded or refinanced thereby, are equal to not less than 120% of the average annual debt service requirements then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the then outstanding Bonds payable from the revenues of the System, calculated in the manner specified above; or

(b) in the alternative, that the maximum annual debt service requirements for the Prior Bonds, the Obligations, any previously issued Parity Bonds and the proposed refunding Parity Bonds, in any year of maturities thereof after the redemption of the Bonds scheduled to be refunded through the issuance of such proposed refunding Parity Bonds, shall not exceed the maximum annual debt service requirements applicable to the then outstanding Prior Bonds, the Obligations and any previously issued Parity Bonds for any year prior to the issuance of such proposed Parity Bonds and the redemption of the Bonds to be refunded.

Section 11. Rates and Charges for Services of the System. While any Bonds are outstanding and unpaid, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the outstanding Bonds and the accruing interest on all such Bonds as may be outstanding under the provisions of this Assistance Agreement and the Prior Bond Legislation, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Assistance Agreement. Prior to the issuance of the Obligations a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Assistance Agreement has been established and adopted.

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 10 hereof.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year, calculated in the manner specified in Section 10 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 12. All Obligations of this Issue Are Equal. The Obligations authorized and permitted 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 income and revenues of the System regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, the Prior Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

Section 13. Defeasance and/or Refunding of Obligations. The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the outstanding Obligations to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in direct obligations of or obligations guaranteed by the United States of America, including book entry obligations and trust receipts representing an ownership in direct obligations of the United States of America, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such outstanding Obligations, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the outstanding Obligations to and on said date, or (b) to pay all principal and interest requirements on the outstanding Obligations as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body. Such Permitted Investments shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the outstanding Obligations and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 14. Contractual Nature of Assistance Agreement. The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of any of such Obligations, no change, variation or alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided (a) that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 15. Appointment and Duties of Trustee. The Trustee is hereby designated as the bond registrar and paying agent with respect to the Obligations.

Its duties as Trustee shall be as follows:

- (a) To register all of the Obligations in the names of the Issuer;
- (b) To cancel and destroy (or remit to the Governmental Agency for destruction, if so requested by the Governmental Agency) all exchanged, matured, retired and redeemed Obligations, and to maintain adequate records relevant thereto;

(c) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;

(d) To notify the Issuer of any Obligations to be redeemed and to redeem Obligations prior to their stated maturity upon receiving sufficient funds; and

(e) To supply the Governmental Agency with a written accounting evidencing the payment of interest on and principal of the Obligations within thirty (30) days following each respective due date.

The Trustee shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Trustee shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Assistance Agreement, or the responsibility for the consequences of any oversight or error in judgment.

The Trustee may at any time resign from its duties set forth in this Assistance Agreement by filing its resignation with the Governmental Agency Clerk and notifying the Issuer. Thereupon, the Issuer shall notify the Governmental Agency of a successor Trustee which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Trustee, provision shall be made for the orderly transition of the books, records and accounts relating to the Obligations to the successor Trustee in order that there will be no delinquencies in the payment of interest or principal due on the Obligations.

Section 16. Provisions in Conflict Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 17. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986. In order to assure purchasers of the Obligations that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no actions which will violate any of the provisions of the Code, or would cause the Obligations to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Obligations will be used for any purpose which would cause the interest on the Obligations to become subject to federal income taxation, and the Governmental Agency will comply with any

and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations.

The Governmental Agency reserves the right to amend this Assistance Agreement but only with the consent of the Issuer (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Obligations shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of these Obligations, or the application of such proceeds or of the revenues of the System. The purchasers of these Obligations are deemed to have relied fully upon these covenants and undertakings on the part of the Governmental Agency as part of the consideration for the purchase of the Obligations. To the extent that the Governmental Agency obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Assistance Agreement or referred to in this Assistance Agreement would not subject interest on the Obligations to federal income taxes or Kentucky income taxes, the Governmental Agency shall not be required to comply with such covenants or requirements.

This Assistance Agreement is enacted in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Obligations from Kentucky ad valorem taxation and as to exemption of interest on the Obligations from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the Governmental Agency complies with covenants made by the Governmental Agency with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Governmental Agency with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations. The Governmental Agency has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Obligations are not "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 18. Insurance.

(a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the Governmental Agency shall, upon receipt of the proceeds of the sale of the Obligations, if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System, of a kind and in such amounts as would ordinarily be carried by private companies or public bodies engaged in operating a similar utility.

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

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

(b) *Liability Insurance on Facilities.* So long as any of the Obligations are outstanding, the Governmental Agency shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death; and not less than \$200,000 from claims for damage to property of others which may arise from the Governmental Agency's operations of the System and any other facilities constituting a portion of the System.

(c) *Vehicle Liability Insurance.* If and to the extent that the Governmental Agency owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Obligations, the Governmental Agency shall, if such insurance is not already in force, procure and maintain, so long as any of the Obligations are outstanding, vehicular public liability insurance with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Governmental Agency.

Section 19. Event of Default; Remedies. The following items shall constitute an "Event of Default" on the part of the Governmental Agency:

(a) The failure to pay principal on the Obligations when due and payable, either at maturity or by proceedings for redemption;

(b) The failure to pay any installment of interest on the Obligations when the same shall become due and payable;

(c) The failure of the Governmental Agency to fulfill any of its obligations pursuant to this Assistance Agreement and to cure any such failure within 30 days after receipt of written notice of such failure; and/or

(d) The failure to promptly repair, replace or reconstruct essential facilities of the System after any major damage and/or destruction thereof.

Upon the occurrence of an Event of Default, the Issuer or the Trustee on its behalf, as owner of the Obligations, may enforce and compel the performance of all duties and obligations of the Governmental Agency as set forth herein. Upon the occurrence of an Event of Default, then, upon the filing of suit by the Trustee or the Issuer, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Governmental Agency, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Obligations, and for the payment of operation and maintenance expenses of

the System, and to provide and apply the income and revenues in conformity with this Assistance Agreement and with the laws of the Commonwealth of Kentucky.

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of any of the Obligations may require the Governmental Agency by demand, court order, injunction, or otherwise, to raise all applicable rates charged for services of the System a reasonable amount, consistent with the requirements of this Assistance Agreement.

Section 20. Annual Reports. The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 2008) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

The annual financial information and operating data, including audited financial statements, will be made available on or before 120 days after the end of each fiscal year (December 31).

Section 21. Supplemental Assistance Agreement. The Governmental Agency may, but only with the consent of the Issuer, execute one or more supplemental Assistance Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Assistance Agreement;
- (b) to subject to the lien and pledge of this Assistance Agreement additional revenues, properties, or collateral which may legally be subjected;
- (c) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;
- (d) to add to the covenants and agreements of the Governmental Agency in this Assistance Agreement, other covenants and agreements thereafter to be incurred by the Governmental Agency or to surrender any right or power herein reserved to or conferred upon the Governmental Agency;
- (e) to effect the issuance of additional Parity Bonds; and/or
- (f) to modify the terms and conditions of this Assistance Agreement at the request of the Issuer in order to assist the Issuer in operating the Program or to maintain any rating the Issuer may have on its Program obligations.

Section 22. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive, and every such remedy will be cumulative and will be in

addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 23. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 24. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto shall become in default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 25. Signatures of Officers. If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Obligations cease to be such officers before delivery of the Obligations, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

Section 26. Severability Clause. If any section, paragraph, clause or provision of this Assistance Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Assistance Agreement.

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Rattlesnake Ridge Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By David Peterson
President

Attest:

By [Signature]
Secretary/Treasurer

RATTLESNAKE RIDGE WATER DISTRICT

By _____
Chairman

Attest:

By _____
Secretary

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Rattlesnake Ridge Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

By _____
Secretary/Treasurer

RATTLESNAKE RIDGE WATER DISTRICT

By Bill Gullett
Chairman

Attest:

By Larry Powell
Secretary

ISSUER ACKNOWLEDGMENT

COMMONWEALTH OF KENTUCKY

COUNTY OF Warren

The foregoing instrument was acknowledged before me this May 29, 2008 by David Peterson who is the President of the Kentucky Rural Water Finance Corporation, on behalf of said Corporation.

WITNESS my hand this May 29, 2008.

My Commission expires: 7/11/10.

Bobbie S. Shanahan

Notary Public, State at Large, Kentucky

COMMONWEALTH OF KENTUCKY

COUNTY OF Warren

The foregoing instrument was acknowledged before me this May 29, 2008 by Gary Larimore who is the Secretary/Treasurer of the Kentucky Rural Water Finance Corporation, on behalf of said Corporation.

WITNESS my hand this May 29, 2008.

My Commission expires: 7/11/10.

Bobbie S. Shanahan

Notary Public, State at Large, Kentucky

GOVERNMENTAL AGENCY ACKNOWLEDGMENT

COMMONWEALTH OF KENTUCKY

COUNTY OF Carter

The foregoing instrument was acknowledged before me this May 27, 2008, by Billy Gilbert who is the Chairman of the Rattlesnake Ridge Water District, on behalf of said District.

WITNESS my hand this May 27, 2008.

My Commission expires: 7-30-2011.

Lucy E. Corwin
Notary Public, State at Large, Kentucky

COMMONWEALTH OF KENTUCKY

COUNTY OF Carter

The foregoing instrument was acknowledged before me this May 27, 2008, by Larry Carroll who is the Secretary of the Rattlesnake Ridge Water District, on behalf of said District.

WITNESS my hand this May 27, 2008.

My Commission expires: 7-30-2011.

Lucy E. Corwin
Notary Public, State at Large, Kentucky

EXHIBIT A

Debt Service Schedule

**KRWFC Flexible Term Program Series 2008 C
Sinking Fund Payment Schedule**

**Borrower: Rattlesnake Ridge Water District
Closing Date: 05/29/08**

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
8/08-1/09	4,166.67	2,796.17	6,962.83
2/09-7/09	2,500.00	2,030.83	4,530.83
8/09-1/10	2,500.00	2,030.83	4,530.83
2/10-7/10	2,500.00	1,967.08	4,467.08
8/10-1/11	2,500.00	1,967.08	4,467.08
2/11-7/11	2,916.67	1,890.83	4,807.50
8/11-1/12	2,916.67	1,890.83	4,807.50
2/12-7/12	2,916.67	1,801.88	4,718.54
8/12-1/13	2,916.67	1,801.88	4,718.54
2/13-7/13	2,500.00	1,705.63	4,205.63
8/13-1/14	2,500.00	1,705.63	4,205.63
2/14-7/14	2,916.67	1,623.13	4,539.79
8/14-1/15	2,916.67	1,623.13	4,539.79
2/15-7/15	2,916.67	1,519.58	4,436.25
8/15-1/16	2,916.67	1,519.58	4,436.25
2/16-7/16	3,333.33	1,416.04	4,749.38
8/16-1/17	3,333.33	1,416.04	4,749.38
2/17-7/17	3,333.33	1,281.04	4,614.38
8/17-1/18	3,333.33	1,281.04	4,614.38
2/18-7/18	3,750.00	1,146.04	4,896.04
8/18-1/19	3,750.00	1,146.04	4,896.04
2/19-7/19	3,333.33	994.17	4,327.50
8/19-1-20	3,333.33	994.17	4,327.50
2/20-7/20	3,750.00	859.17	4,609.17
8/20-1/21	3,750.00	859.17	4,609.17
2/21-7/21	3,750.00	707.29	4,457.29
8/21-1/22	3,750.00	707.29	4,457.29
2/22-7/22	3,750.00	550.73	4,300.73
8/22-1/23	3,750.00	550.73	4,300.73
2/23-7/23	4,166.67	394.17	4,560.83
8/23-1/24	4,166.67	394.17	4,560.83
2/24-7/24	5,000.00	215.00	5,215.00
8/24-1/25	5,000.00	215.00	5,215.00
	-	-	-
	<u>665,000.00</u>	<u>258,008.25</u>	<u>923,008.25</u>



Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

May 9, 2008

RE: Case No. 2008-00167
Rattlesnake Ridge Water District
(Financing)
Financing

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received May 8, 2008 and has been assigned Case No. 2008-00167. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Stephanie Stumbo
Executive Director

SS/tw



Steven L. Beshear
Governor

John W. Clay
Vice Chairman

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Caroline Pitt Clark
Commissioner

Larry R. Bond
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

June 2, 2008

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

RE: Case No. 2008-00167
Rattlesnake Ridge Water District

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact Mark Frost at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "David R. McDowell".

David R. McDowell
Division of Filings

MB/rs
Enclosure

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

Dan Stamper
Manager
Rattlesnake Ridge Water District
P. O. Box 475
Grayson, KY 41143-0475

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

FILED
JUN 02 2008
PUBLIC SERVICE
COMMISSION

MAY 8 2008
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF RATTLESNAKE RIDGE)
WATER DISTRICT TO ISSUE SECURITIES)
IN THE APPROXIMATE PRINCIPAL AMOUNT)
OF \$665,000 FOR THE PURPOSE OF REFUNDING)
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

CASE NO. 2008-167

** *** **** ***** **** *** **

APPLICATION

The Applicant, Rattlesnake Ridge Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal sum \$665,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding waterworks revenue bonds of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Carter County, which Order is on file in the County Court Order Books in the office of the Clerk of Carter County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District are incorporated in this

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

**THE APPLICATION OF RATTLESNAKE RIDGE)
WATER DISTRICT TO ISSUE SECURITIES)
IN THE APPROXIMATE PRINCIPAL AMOUNT)
OF \$665,000 FOR THE PURPOSE OF REFUNDING) CASE NO. _____
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)**

**** *** **** ***** **** *** ****

APPLICATION

The Applicant, Rattlesnake Ridge Water District (the "District"), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal sum \$665,000 (subject to adjustment of up to 10%), for the purpose of refunding certain outstanding waterworks revenue bonds of the District. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established in accordance with the provisions of Chapter 74 of the Kentucky Revised Statutes pursuant to an Order of the County Judge/Executive of Carter County, which Order is on file in the County Court Order Books in the office of the Clerk of Carter County, Kentucky. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District are incorporated in this

Application by reference. The District does not have any Articles of Incorporation due to the fact that it is a statutory entity.

2. The governing body of the District is its Board of Commissioners which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of the District is as follows:

Rattlesnake Ridge Water District
c/o Mr. Chris Stamper, Manager
P.O. Box 475
Grayson, Kentucky 41143
Telephone: (606) 474-7570

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2007 which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. The District proposes to borrow funds from the Kentucky Rural Water Finance Corporation ("KRWFC") pursuant to an Assistance Agreement (the "KRWFC Loan"), in the estimated principal amount of \$665,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as the Rattlesnake Ridge Water District Waterworks Refunding Revenue Bonds, 1996, dated February 20, 1996, in the original principal amount of \$875,000 (the "Prior Bonds"). Said Prior Bonds are currently held in the open market.

6. The estimated debt service for the KRWFC Loan is shown in **Exhibit A**, which is attached hereto and incorporated herein by reference. The debt service schedule and estimated interest rates are subject to change because of market conditions. The final terms and details of the KRWFC Loan may vary from the present assumptions based upon market conditions and other business judgment factors.

7. The KRWFC Loan will provide the District with the funds necessary to (i) refund the Prior Bonds; and (iii) pay the fees and expenses incident to the issuance of the KRWFC Loan.

8. The Sources and Uses of Funds to be obtained from the issuance of the KRWFC Loan are detailed as **Exhibit B**, which is attached hereto and incorporated herein by reference.

9. It is anticipated that the proposed refinancing will result in total gross savings of approximately \$145,416.89. These savings are shown on the Debt Service Comparison, which is attached hereto and incorporated herein by reference as **Exhibit C**.

10. The final principal amount of the KRWFC Loan will be adjusted, based upon final interest rates which will be known on or about April 24, 2008, in order to provide funds sufficient to redeem, in full, the Prior Bonds. Final financial figures will be submitted to the Commission in a timely manner. The Applicant will not issue the securities if interest rates in the bond market shift to a point where the Applicant will not achieve any savings.

11. The Debt Service Schedule of the outstanding Prior Bonds being refunded is set forth in **Exhibit D**.

12. The District represents that the KRWFC Loan is in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing substantial debt service savings. This is a lawful object within the corporate purposes of the District's utility operations. The KRWFC Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

13. The District represents that it will, as soon as reasonably possible after the closing of the KRWFC Loan, file with the Commission a statement setting forth the date of issuance of the

KRWFC Loan, the price paid, the fees and expenses incurred in the issuance of the KRWFC Loan, and the terms and interest rates of the KRWFC Loan.

14. The detailed Statement of Revenue and Expenses, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2007 are attached hereto and incorporated herein be reference as **Exhibit E** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2007 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

16. Pursuant to 807 KAR 5:001, the District hereby responds as follows:

- (a) Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof.
- (b) Section 6(5) Bonds: The KRWFC Loan will be secured by a pledge of the revenues of the District's System.
- (c) Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof.
- (d) Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the refunding of the Prior Bonds.

17. The District hereby requests and moves for a deviation, pursuant to 807 KAR 5:001, Section 14, from the requirements of 807 KAR 5:001, Section 6, which requires that the financial data filed with the Application be for a twelve (12) month period ending within ninety (90) days of the filing of the application. The District states that there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2007.

The financial data filed with this Application is for the twelve (12) month period ending December 31, 2007. This is the most recent published financial data available. Because of the volatility of the bond market, the District cannot run the risk of delaying the closing of the KRWFC Loan while more current financial data is compiled. Also, the refunding of the Prior Bonds will save the District significant revenues thus improving the District's financial position.

18. No rate adjustment will be necessary.

WHEREFORE, the District respectfully requests that the Commission take the following actions:


1. Authorize the issuance of the securities requested in the Application prior to the closing date of **May 22⁹, 2008**;

2. Grant the District a deviation, to the extent necessary, from 807 KAR 5:001, Section 6 to allow the submission of the District's 2007 Annual Report and 2007 Audit in lieu of more recent financial data, there being no material change in the data in 2008 and due to the volatility of the present bond market; and


3. Process this Application without a formal hearing in order to save time and expense.

The District will promptly respond to any information requests by the Commission's staff.

Rattlesnake Ridge Water District

By 
Chairman
P.O. Box 475
Grayson, Kentucky 41143
Phone: (606) 474-7570
Fax: (606) 474-8531


Rubin & Hays

By 
W. Randall Jones
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
Phone: (502) 569-7525
Fax: (502) 569-7555
Counsel for Rattlesnake Ridge
Water District

STATE OF KENTUCKY)
) SS
COUNTY OF CARTER)

The affiant, Bill Gilbert, being first duly sworn, states: That he is the Chairman of the Rattlesnake Ridge Water District, the Applicant in this case; that he has read the foregoing Application and has noted the contents thereof; that the same are true of his own knowledge and belief, except as to matters which are herein stated to be based on information or belief, and that these matters, he believes to be true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 18th day of April, 2008.



Bill Gilbert, Chairman
Rattlesnake Ridge Water District

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Bill Gilbert, Chairman of the Rattlesnake Ridge Water District, on this the 18th day of April, 2008.

My Commission expires: 07/30/11.



NOTARY PUBLIC

\$665,000

**Rattlesnake Ridge Water District
Proposed Refunding of Series 1996 through the
Kentucky Rural Water Finance Corporation**

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+i	Fiscal Total
04/24/2008	-	-	-	-	-
07/01/2008	-	-	4,934.27	4,934.27	-
12/30/2008	-	-	-	-	4,934.27
01/01/2009	30,000.00	3.000%	13,256.25	43,256.25	-
07/01/2009	-	-	12,806.25	12,806.25	-
12/30/2009	-	-	-	-	56,062.50
01/01/2010	30,000.00	3.000%	12,806.25	42,806.25	-
07/01/2010	-	-	12,356.25	12,356.25	-
12/30/2010	-	-	-	-	55,162.50
01/01/2011	30,000.00	3.000%	12,356.25	42,356.25	-
07/01/2011	-	-	11,906.25	11,906.25	-
12/30/2011	-	-	-	-	54,262.50
01/01/2012	35,000.00	3.250%	11,906.25	46,906.25	-
07/01/2012	-	-	11,337.50	11,337.50	-
12/30/2012	-	-	-	-	58,243.75
01/01/2013	30,000.00	3.500%	11,337.50	41,337.50	-
07/01/2013	-	-	10,812.50	10,812.50	-
12/30/2013	-	-	-	-	52,150.00
01/01/2014	30,000.00	3.500%	10,812.50	40,812.50	-
07/01/2014	-	-	10,287.50	10,287.50	-
12/30/2014	-	-	-	-	51,100.00
01/01/2015	35,000.00	3.750%	10,287.50	45,287.50	-
07/01/2015	-	-	9,631.25	9,631.25	-
12/30/2015	-	-	-	-	54,918.75
01/01/2016	35,000.00	3.750%	9,631.25	44,631.25	-
07/01/2016	-	-	8,975.00	8,975.00	-
12/30/2016	-	-	-	-	53,606.25
01/01/2017	40,000.00	3.875%	8,975.00	48,975.00	-
07/01/2017	-	-	8,200.00	8,200.00	-
12/30/2017	-	-	-	-	57,175.00
01/01/2018	40,000.00	4.000%	8,200.00	48,200.00	-
07/01/2018	-	-	7,400.00	7,400.00	-
12/30/2018	-	-	-	-	55,600.00
01/01/2019	40,000.00	4.125%	7,400.00	47,400.00	-
07/01/2019	-	-	6,575.00	6,575.00	-
12/30/2019	-	-	-	-	53,975.00
01/01/2020	40,000.00	4.250%	6,575.00	46,575.00	-
07/01/2020	-	-	5,725.00	5,725.00	-
12/30/2020	-	-	-	-	52,300.00
01/01/2021	45,000.00	4.500%	5,725.00	50,725.00	-
07/01/2021	-	-	4,712.50	4,712.50	-
12/30/2021	-	-	-	-	55,437.50
01/01/2022	45,000.00	4.500%	4,712.50	49,712.50	-
07/01/2022	-	-	3,700.00	3,700.00	-
12/30/2022	-	-	-	-	53,412.50
01/01/2023	50,000.00	4.625%	3,700.00	53,700.00	-
07/01/2023	-	-	2,543.75	2,543.75	-
12/30/2023	-	-	-	-	56,243.75
01/01/2024	50,000.00	4.625%	2,543.75	52,543.75	-
07/01/2024	-	-	1,387.50	1,387.50	-
12/30/2024	-	-	-	-	53,931.25
01/01/2025	60,000.00	4.625%	1,387.50	61,387.50	-
12/30/2025	-	-	-	-	61,387.50
Total	\$665,000.00	-	\$274,903.02	\$939,903.02	-

Yield Statistics

Bond Year Dollars.....	\$6,431.26
Average Life.....	9.671 Years
Average Coupon.....	4.2744789%
Net Interest Cost (NIC).....	4.4295806%
True Interest Cost (TIC).....	4.4427785%
Bond Yield for Arbitrage Purposes.....	4.2875487%
All inclusive Cost (AIC).....	4.9969197%

IRS Form 8038

Net Interest Cost.....	4.3636819%
Weighted Average Maturity.....	9.609 Years

3/17/2008 | 3:32 PM

\$665,000

*Rattlesnake Ridge Water District
Proposed Refunding of Series 1996 through the
Kentucky Rural Water Finance Corporation*

Sources & Uses

Dated 04/24/2008 | Delivered 04/24/2008

Sources Of Funds

Par Amount of Bonds.....	\$665,000.00
Transfers from Prior Issue Debt Service Funds.....	17,130.00
Transfers from Prior Issue DSR Funds.....	72,275.00

Total Sources..... \$754,405.00

Uses Of Funds

Original Issue Discount (OID).....	2,778.55
Total Underwriter's Discount (1.082%).....	7,196.45
Costs of Issuance.....	22,500.00
Deposit to Current Refunding Fund.....	717,460.44
Rounding Amount.....	4,469.56

Total Uses..... \$754,405.00

\$665,000

*Rattlesnake Ridge Water District
Proposed Refunding of Series 1996 through the
Kentucky Rural Water Finance Corporation*

Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2008	4,934.27	-	4,934.27	21,760.00	16,825.73
12/30/2009	56,062.50	350.00	56,412.50	67,745.00	11,332.50
12/30/2010	55,162.50	350.00	55,512.50	66,195.00	10,682.50
12/30/2011	54,262.50	350.00	54,612.50	64,645.00	10,032.50
12/30/2012	58,243.75	350.00	58,593.75	67,940.00	9,346.25
12/30/2013	52,150.00	350.00	52,500.00	66,080.00	13,580.00
12/30/2014	51,100.00	350.00	51,450.00	64,220.00	12,770.00
12/30/2015	54,918.75	350.00	55,268.75	67,205.00	11,936.25
12/30/2016	53,606.25	350.00	53,956.25	65,035.00	11,078.75
12/30/2017	57,175.00	350.00	57,525.00	67,710.00	10,185.00
12/30/2018	55,600.00	350.00	55,950.00	65,230.00	9,280.00
12/30/2019	53,975.00	350.00	54,325.00	67,572.50	13,247.50
12/30/2020	52,300.00	350.00	52,650.00	64,737.50	12,087.50
12/30/2021	55,437.50	350.00	55,787.50	66,745.00	10,957.50
12/30/2022	53,412.50	350.00	53,762.50	63,570.00	9,807.50
12/30/2023	56,243.75	350.00	56,593.75	65,210.00	8,616.25
12/30/2024	53,931.25	350.00	54,281.25	66,500.00	12,218.75
12/30/2025	61,387.50	350.00	61,737.50	72,275.00	10,537.50
Total	\$939,903.02	\$5,950.00	\$945,853.02	\$1,150,375.00	\$204,521.98

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings.....	204,521.98
Transfers from Prior Issue Debt Service Fund.....	(17,130.00)
Transfers from Prior Issue DSR Fund.....	(72,275.00)
Contingency or Rounding Amount.....	4,469.56
Net Benefit.....	119,586.54
Gross PV Debt Service Savings.....	145,416.89
Transfers from Prior Issue Debt Service Fund.....	(17,130.00)
Transfers from Prior Issue DSR Fund.....	(72,275.00)
Contingency or Rounding Amount.....	4,469.56
Net Present Value Benefit.....	\$60,481.45
Net PV Benefit / \$690,000 Refunded Principal.....	8.765%
Net PV Benefit / \$665,000 Refunding Principal.....	9.095%

Refunding Bond Information

Refunding Dated Date.....	4/24/2008
Refunding Delivery Date.....	4/24/2008

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\$710,000
Rattlesnake Ridge Water District
Series 1996

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2008	-	-	21,760.00	21,760.00
12/30/2009	25,000.00	-	42,745.00	67,745.00
12/30/2010	25,000.00	-	41,195.00	66,195.00
12/30/2011	25,000.00	-	39,645.00	64,645.00
12/30/2012	30,000.00	-	37,940.00	67,940.00
12/30/2013	30,000.00	-	36,080.00	66,080.00
12/30/2014	30,000.00	-	34,220.00	64,220.00
12/30/2015	35,000.00	-	32,205.00	67,205.00
12/30/2016	35,000.00	-	30,035.00	65,035.00
12/30/2017	40,000.00	-	27,710.00	67,710.00
12/30/2018	40,000.00	-	25,230.00	65,230.00
12/30/2019	45,000.00	-	22,572.50	67,572.50
12/30/2020	45,000.00	-	19,737.50	64,737.50
12/30/2021	50,000.00	-	16,745.00	66,745.00
12/30/2022	50,000.00	-	13,570.00	63,570.00
12/30/2023	55,000.00	-	10,210.00	65,210.00
12/30/2024	60,000.00	-	6,500.00	66,500.00
12/30/2025	70,000.00	6.500%	2,275.00	72,275.00
Total	\$690,000.00	-	\$460,375.00	\$1,150,375.00

Yield Statistics

Average Life.....	10.186 Years
Weighted Average Maturity (Par Basis).....	10.186 Years
Average Coupon.....	6.3558348%

Refunding Bond Information

Refunding Dated Date.....	4/24/2008
Refunding Delivery Date.....	4/24/2008

RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Water Sales	\$ 1,614,717	\$ 1,491,647
Service Charges and Other Revenue	41,735	21,933
Total Operating Revenues	1,656,452	1,513,580
OPERATING EXPENSES		
Salaries & Wages	534,793	524,402
Employee Benefits	170,885	166,426
Purchased Water	3,893	2,199
Accounting and Legal	9,202	4,623
Billing	13,552	13,759
Materials & Supplies	172,495	149,383
Contracted Services	120	7,414
Utilities and Telephone	189,695	183,660
Insurance	49,946	54,848
Office Expense	38,784	37,172
Vehicle Expense	28,798	27,023
Tank Maintenance	-	8,715
Testing Expense	14,892	10,402
Depreciation	696,570	699,774
Miscellaneous Expense	13,750	7,960
Taxes Other Than Income	50,604	49,708
Total Operating Expenses	1,987,979	1,947,468
OPERATING LOSS	(331,527)	(433,888)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	4,031	5,171
Interest Expense	(303,828)	(299,858)
Loss on Sale of Assets	(4,472)	-
Net Non-Operating Revenues (Expenses)	(304,269)	(294,687)
Income (Loss) Before Capital Contributions	(635,796)	(728,575)
Capital Grants	1,651,038	178,712
Customer Tap Fees	88,960	55,527
CHANGE IN NET ASSETS	1,104,202	(494,336)
NET ASSETS, BEGINNING OF YEAR	12,052,007	12,546,343
NET ASSETS, END OF YEAR	\$ 13,156,209	\$ 12,052,007

The accompanying notes are an integral part of these financial statements.

**RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF NET ASSETS
PROPRIETARY FUND
December 31, 2007 and 2006**

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 121,827	\$ 46,434
Cash and Cash Equivalents - Restricted	256,494	190,193
Accounts Receivable - Customers	173,329	167,077
Less Allowance for Doubtful Accounts	(58,095)	(50,137)
Accounts Receivable - Grants	102,049	-
Inventory	7,111	7,111
Prepaid Expenses	12,101	8,746
	614,816	369,424
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant in Service	23,441,869	23,393,268
Buildings and Land	91,493	91,493
Other Depreciable Equipment	336,259	325,755
Construction in Progress	1,901,722	283,688
	25,771,343	24,094,204
Less Accumulated Depreciation	(6,384,042)	(5,700,814)
	19,387,301	18,393,390
NET PROPERTY, PLANT AND EQUIPMENT		
	19,387,301	18,393,390
TOTAL ASSETS	\$ 20,002,117	\$ 18,762,814
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 154,617	\$ 107,190
Accrued Taxes and Benefits	26,404	19,353
Accrued Interest	140,490	22,683
Accrued Wages and Sick Leave	16,661	27,864
Customer Deposits	16,600	7,800
Current Portion of Long-Term Debt	152,846	60,779
	507,618	245,669
TOTAL CURRENT LIABILITIES		
	507,618	245,669
LONG-TERM LIABILITIES		
Notes Payable	229,990	253,938
Bonds Payable	6,108,300	6,211,200
	6,338,290	6,465,138
TOTAL LONG-TERM LIABILITIES		
	6,338,290	6,465,138
TOTAL LIABILITIES	6,845,908	6,710,807
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	12,896,165	11,867,473
Restricted Net Assets	256,494	190,193
Unrestricted Net Assets	3,550	(5,659)
	13,156,209	12,052,007
TOTAL NET ASSETS		
	13,156,209	12,052,007
TOTAL LIABILITIES AND NET ASSETS	\$ 20,002,117	\$ 18,762,814

The accompanying notes are an integral part of these financial statements.

**RATTLESNAKE RIDGE WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
For The Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 1,556,109	\$ 1,559,142
Payments to Suppliers	(486,407)	(418,700)
Payments to Employees	(756,282)	(740,536)
	<u>313,420</u>	<u>399,906</u>
Net Cash Provided by Operating Activities	313,420	399,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	4,031	5,171
	<u>4,031</u>	<u>5,171</u>
Net Cash Provided by Investing Activities	4,031	5,171
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Debt Proceeds	25,675	9,000
Principal Paid on Capital Debt	(60,456)	(132,139)
Purchases of Capital Assets	(1,697,154)	(288,701)
Proceeds from Sale of Assets	2,200	-
Contributed Capital-Tap Fees	88,960	55,527
Contributed Capital - Federal Grants	535,891	178,712
Contributed Capital - State Grants	1,115,147	-
Interest Paid on Capital Debt	(186,020)	(299,858)
	<u>(175,757)</u>	<u>(477,459)</u>
Net Cash Used in Capital and Financing Activities	(175,757)	(477,459)
NET DECREASE IN CASH	141,694	(72,382)
Cash and Cash Equivalents - At Beginning of Year	236,627	309,009
	<u>236,627</u>	<u>309,009</u>
CASH AND CASH EQUIVALENTS - AT END OF YEAR	\$ 378,321	\$ 236,627
	<u>\$ 378,321</u>	<u>\$ 236,627</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (331,527)	\$ (433,888)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	696,570	699,774
Change in Assets and Liabilities:		
Accounts Receivable, Net	(100,343)	45,562
Prepaid Expense	(3,355)	(329)
Accounts Payable and Other Payables	43,275	87,237
Customer Deposits	8,800	1,550
	<u>8,800</u>	<u>1,550</u>
Net Cash Provided by Operating Activities	\$ 313,420	\$ 399,906
	<u>\$ 313,420</u>	<u>\$ 399,906</u>

The accompanying notes are an integral part of the financial statements.



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James Gardner
Vice-Chairman

John W. Clay
Commissioner

June 19, 2008

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

CERTIFICATE OF SERVICE

RE: Case No. 2008-00167
Rattlesnake Ridge Water District

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on June 19, 2008.

Handwritten signature of Stephanie Stumbo in cursive script.

Executive Director

SS/tw
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE RATTLESNAKE)	
RIDGE WATER DISTRICT TO ISSUE SECURITIES)	
IN THE APPROXIMATE PRINCIPAL AMOUNT OF)	
\$665,000 FOR THE PURPOSE OF REFUNDING)	CASE NO.
CERTAIN OUTSTANDING REVENUE BONDS OF)	2008-00167
THE DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On April 16, 2008, Rattlesnake Ridge Water District ("Rattlesnake Ridge") applied to the Commission for the authority to obtain a Kentucky Rural Water Finance Corporation ("KRWFC") loan in the principal amount of \$665,000, subject to an adjustment of up to 10 percent. Rattlesnake Ridge estimates that the proposed KRWFC loan will have a 17-year term with interest rates varying from 3.0 to 4.625 percent per annum.¹

The proceeds of the KRWFC loan will be used to refund the outstanding revenue bonds designated as the Rattlesnake Ridge Water District Waterworks Refunding Revenue Bonds, Series 1996 ("1996 Series Bonds") bearing an interest rate of 6.5 percent per annum with an outstanding principal balance of \$460,375.² The district

¹ Application, Exhibit A, Debt Service Schedule.

² Application at 2 and Exhibit D, Total Refunded Debt Service.

estimates that its proposed refinancing will result in total gross savings and net present value savings of \$145,417 and \$60,481, respectively.³

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Rattlesnake Ridge's proposal to obtain the KRWFC loan, as described herein, for the purpose of refinancing the 1996 Series Bonds is for a lawful object within its corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Rattlesnake Ridge is authorized to enter an Assistance Agreement with KRWFC to borrow up to \$731,500⁴ to refinance the 1996 Series Bonds but only under such terms and conditions that will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the KRWFC loan differ from those set forth in the application, Rattlesnake Ridge shall, within 30 days of issuing the KRWFC loan authorized in this proceeding, file with the Commission amortization schedules and workpapers showing the actual gross savings and net present value savings that resulted from the refinancing of the 1996 Series Bonds.

3. Rattlesnake Ridge shall, within 30 days of obtaining the KRWFC loan authorized herein, file with the Commission a statement setting forth the date the loan was obtained, the actual interest rates, and the principal amount.

³ Id. Exhibit C, Debt Service Comparison.

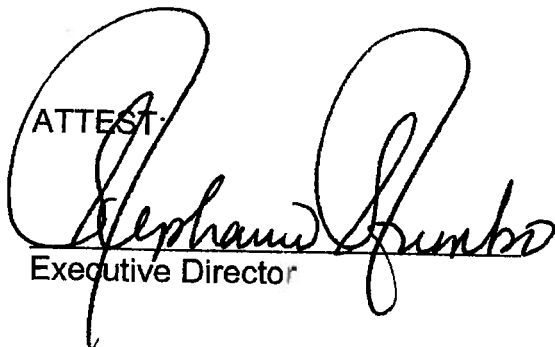
⁴ $\$665,000 \times 10\% = \$66,500 + 665,000 = \$731,500.$

4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 19th day of June, 2008.

By the Commission

ATTEST:

Executive Director



Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
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Frankfort, Kentucky 40602-0615
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John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

June 2, 2008

RE: Case No. 2008-00167

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Stephanie Stumbo
Executive Director

SS/rs

Enclosure

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

Dan Stamper
Manager
Rattlesnake Ridge Water District
P. O. Box 475
Grayson, KY 41143-0475

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RATTLESNAKE RIDGE)	
WATER DISTRICT TO ISSUE SECURITIES IN)	
THE APPROXIMATE PRINCIPAL AMOUNT OF)	CASE NO.
\$665,000 FOR THE PURPOSE OF REFUNDING)	2008-00167
CERTAIN OUTSTANDING REVENUE BONDS)	
OF THE DISTRICT PURSUANT TO THE)	
PROVISIONS OF KRS 278.300 AND 807 KAR)	
5:001)	

ORDER

Rattlesnake Ridge Water District (“Rattlesnake Ridge”) has applied to the Commission for authority to issue securities in the approximate principal amount of \$665,000 for the purpose of refunding certain outstanding waterworks revenue bonds. In its filing, Rattlesnake Ridge requested permission to deviate from the filing requirements of Administrative Regulation 807 KAR 5:001, Section 6, which requires the submission of a detailed financial exhibit for the period ending not more than 90 days prior to the date of the application.

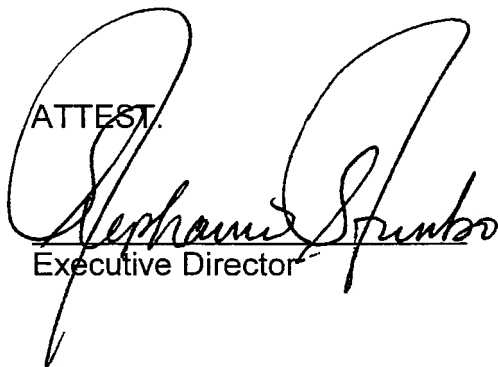
In support of its request for permission to deviate from this requirement, Rattlesnake Ridge states that its most recent financial exhibits are for the 12 months ended December 31, 2007 and that those exhibits are contained in its 2007 Annual Report on file with the Commission. Rattlesnake Ridge further states that this is the most recent financial information available and that no extraordinary circumstances have occurred since December 2007.

Administrative Regulation 807 KAR 5:001, Section 14, provides the Commission with the authority to permit deviations from its regulations for good cause shown. Having reviewed the filing and being otherwise sufficiently advised, the Commission finds that the requested deviation is reasonable and should be granted.

IT IS THEREFORE ORDERED that Rattlesnake Ridge's request for permission to deviate from the filing requirements of Administrative Regulation 807 KAR 5:001, Section 6, is granted.

Done at Frankfort, Kentucky, this 2nd day of June, 2008.

By the Commission

ATTEST.

Executive Director

Case No. 2008-00167



**OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE FOR LOCAL DEVELOPMENT**

Steven L. Beshear
Governor

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-2382
Fax (502) 573-2939
oll Free (800) 346-5606
www.gold.ky.gov

Tony Wilder
Commissioner

June 2, 2008

Mr. Christian L. Juckett
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202-1410

RE: \$665,000 Loan to the Rattlesnake Ridge Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Bonds (Flexible Term Program), Series 2008C, dated May 29, 2008

Dear Mr. Juckett:

This will acknowledge receipt of notification of the issuance of the above bonds in conformity with KRS 66.045.

The information received complies with the requirements of this office and the above referenced statute.

If I can be of further assistance in this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Lonnie Campbell".

LONNIE CAMPBELL
State Local Debt Officer

/ld

**CERTIFICATE OF OFFICERS OF
RATTLESNAKE RIDGE WATER DISTRICT**

Re: Loan in the amount of \$665,000, dated May 29, 2008, to the Rattlesnake Ridge Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Bonds (Flexible Term Program), Series 2008C.

The undersigned officials of the Rattlesnake Ridge Water District (the "District") under the Assistance Agreement of even date herewith (the "Agreement") between the District and the Kentucky Rural Water Finance Corporation ("KRWFC"), do hereby certify as follows:



1. That they are the duly elected or appointed, qualified and acting incumbents of their respective offices of the District, as set forth after their signatures hereto, and as such are familiar with the books, records and affairs of the District.

2. That the District is a body politic and corporate, validly organized, existing and in good standing under and by virtue of the laws of the Commonwealth of Kentucky with all requisite power and authority to operate a waterworks system (the "System") and to carry on its business as now being conducted.

3. That included in the transcript of which this Certificate forms a part is a true, correct and complete copy of the Resolution duly adopted by the Governing Body of the District on March 3, 2008 (the "Official Action"), authorizing the appropriate officials of the District to execute the Agreement. The Official Action was duly adopted in accordance with all applicable laws.

4. The representations and warranties of the District made in the Agreement are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof; the Official Action has not been amended or supplemented and is in full force and effect; and the Agreement has been entered into and is in full force and effect.

5. That the below-named persons were on the date or dates of the execution of the Agreement and are on the date of this Certificate the duly elected or appointed and qualified incumbents of the respective offices of the District set forth opposite their names and that the signatures set forth opposite their names are their genuine signatures:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Billy Gilbert	Chairman	
Larry Carroll	Secretary	

6. The Agreement has been duly authorized, executed and delivered by the District and constitutes a legal, valid and binding obligation of the District, enforceable against the District in accordance with its terms.

7. That we are familiar with the provisions of the Agreement, and we hereby certify that at the time of or immediately after the issuance, sale and delivery of the Loan, the proceeds of the Loan authorized by the Agreement were applied or will be applied as itemized in the Distribution of Loan Proceeds Schedule attached hereto as **Exhibit A**, and this certification constitutes the instruction to and authorization of the Trustee to make such payments and deposits specified in said **Exhibit A**.

8. The District is not in default under or in violation of (i) any provisions of applicable law, (ii) the Agreement, or (iii) any indenture, mortgage, lien, agreement, contract, deed, lease, loan agreement, note, bond, order, judgment, decree or other instrument or restriction of any kind or character to which it is a party or by which it or its properties are or may be bound, or to which it or any of its assets is subject, which default would have a material adverse effect on the condition, financial or otherwise, of the District or on the ability of the District to perform its obligations under the Agreement. Neither the execution and delivery of the Agreement nor compliance by the District with the terms, conditions and provisions of the Agreement will conflict with or result in a breach of, or constitute a default under, any of the foregoing.

9. Since the date of the financial information provided to KRWFC, there have not been any material adverse changes in the business, properties, condition (financial or otherwise) or results of operations of the District, whether or not arising from transactions in the ordinary course of business, and since such date, except in the ordinary course of business, the District has not entered into any transaction or incurred any liability material to the financial position of the District.

10. There is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or, to the best of our knowledge, threatened against or affecting the District wherein an unfavorable decision, ruling or finding would materially adversely affect the business, properties, condition (financial or otherwise) or the results of operations of the District or the ability of the District to perform its obligations under the Agreement.

11. All authorizations, consents and approvals of, notices to, registrations or filings with, or other actions in respect of or by, any governmental body, agency or other instrumentality or court required in connection with the execution, delivery and performance by the District of the Agreement have been duly obtained, given or taken (and copies thereof have been provided to KRWFC).

12. Any certificate signed by any official of the District and delivered to KRWFC will be deemed to be a representation by the District to KRWFC as to the statements made therein.

WITNESS our hands this May 29, 2008.

RATTLESNAKE RIDGE WATER
DISTRICT

By Billy Gilbert
Chairman

Attest:

By Sam Cawell
Secretary

L

EXHIBIT A

DISTRIBUTION OF LOAN PROCEEDS SCHEDULE

Re: Loan in the amount of \$665,000, dated May 29, 2008, to the Rattlesnake Ridge Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Bonds (Flexible Term Program), Series 2008C.

SOURCES OF FUNDS

Par Amount of Loan	\$665,000.00
Transfer from Series 1996 Bonds sinking fund	22,840.00
Transfer Prior Issue Debt Service Reserve	72,275.00
Less Original Issue Discount	(2,436.10)
Less Underwriter's Discount	<u>(5,639.20)</u>
Total Sources	\$752,039.70

USES OF FUNDS

Project Fund - Rattlesnake Ridge Water District Account for refunding the Series 1996 Bonds	\$725,560.00
Costs of Issuance	22,500.00
Sinking Fund - Rattlesnake Ridge Water District Account	<u>3,979.70</u>
Total Uses	\$752,039.70

RATTLESNAKE RIDGE WATER
DISTRICT

By: Billy Gillum
Chairman

ARBITRAGE CERTIFICATE

Re: Loan in the amount of \$665,000, dated May 29, 2008, to the Rattlesnake Ridge Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Bonds (Flexible Term Program), Series 2008C.

The undersigned officer of the Rattlesnake Ridge Water District (the "District") hereby certifies with respect to the loan in the amount of \$665,000 (the "Loan") made pursuant to the Assistance Agreement (the "Agreement") by and between the Kentucky Rural Water Finance Corporation ("KRWFC") and the District, derived from the proceeds of the \$7,300,000 Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Bonds (Flexible Term Program), Series 2008C (the "Bonds") issued by KRWFC, which Agreement is entered into for the purpose of currently refunding certain obligations of the District, which were used to finance improvements to the District's existing waterworks system (the "System"), and made as of the date hereof (the "Closing Date"), which is the date of delivery of, and payment for, the Loan, that the following facts, estimates and circumstances regarding the amount and use of all of the "Proceeds" (as defined in Treas. Reg. §1.148-1(b), issued under the Internal Revenue Code of 1986, as amended (the "Code")), of the Loan are, as of the Closing Date and according to the District's best knowledge, information and belief, reasonably expected to exist or to occur:

1. **Proceeds.** The Proceeds of the Loan consist, and will consist, of the "Sale Proceeds" and "Investment Proceeds" (each as defined in Treas. Reg. §1.148-1(b), issued under the Code) and equal the Loan amount.

2. **Purpose of Loan.**

a. The Proceeds of the Loan, together with certain other funds, will be used to provide funds to pay the costs of issuance of the Loan and to currently refund the outstanding Rattlesnake Ridge Water District Waterworks Refunding Revenue Bonds, Series 1996, dated February 20, 1996, in the original authorized principal amount of \$875,000 (the "Refunded Bonds").

b. The current refunding of the Refunded Bonds constitutes a valid governmental purpose (the "Governmental Purpose").

c. The total amount of Proceeds received by the District will not exceed the amount necessary to finance the Governmental Purpose.

3. **Yield on the Loan.**

a. The price at which the Loan was sold to the Issuer, which intends to hold the Loan for investment purposes and not for resale to the general public, is equal to the Loan Amount.

b. The Yield on the Loan (as defined in Treas. Reg. §1.148-4, issued under the Code) is 4.0400940%.

4. **Application of Proceeds.** All of the Sale Proceeds will be used to pay the cost of the Governmental Purpose, including issuance expenses and any accrued interest to the Closing Date. No amount received as Proceeds of the Loan will be used in a manner not set forth in this section.

5. **Expenditure of Proceeds for the Governmental Purpose.** An amount of the Net Sales Proceeds of the Loan as specified in Supplemental Tax Certificate executed by the District and dated of even date herewith will be transferred to Regions Bank, Nashville, Tennessee, and deposited in the Governmental Agency Account to be used to:

a. pay the interest on the outstanding Refunded Bonds through and including July 1, 2008 (the earliest date on which such Refunded Bonds can be redeemed prior to maturity); and

b. call for redemption the unpaid outstanding Refunded Bonds on July 1, 2008 at a price of 102%, thereby defeasing the pledge of the revenues and the property securing the Refunded Bonds.

6. **Investment of Proceeds.**

a. The District has agreed in the Supplemental Tax Certificate executed by the District and dated of even date herewith that it will not invest any of the Proceeds of the Loan without the express consent of KRWFC, and any such investments will be done so that such investment will not cause interest on either the Loan or the Bonds to be includable in the holder's gross income for purposes of federal income taxation or the debt to be treated as "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code and the Treasury Regulations thereunder.

b. Not more than fifty percent (50%) of the Proceeds of the Loan will be invested in investments that both do not carry out the Governmental Purpose of the Agreement and have a substantially guaranteed yield for at least four (4) years.

c. Amounts deposited in the District's Sinking Fund will be used to pay the principal of and interest on the Loan, and the District reasonably expects that there will be no other funds that will be so used or which will be pledged to payment of the Loan under circumstances such that the holder of the Loan is reasonably assured such fund will be available for payment of debt service on the Loan. The Sinking Fund is a fund that is used primarily to achieve a proper matching of revenues and debt service within each bond year. Money deposited in the Sinking Fund will be used within thirteen (13) months from the date of deposit for the payment of debt service on the outstanding Loan and other parity obligations and, except for an amount equal to not more than the greater of (i) one-twelfth (1/12) of debt service requirements of the Loan and other parity obligations for the then ensuing year or (ii) one year's earnings on the Sinking Fund, the

Sinking Fund will be depleted annually through such application for current debt service requirements of the Loan and other parity obligations. Any income earned from the investment of amounts deposited in the Sinking Fund will be retained in the Sinking Fund and expended within one year from the date of receipt.

d. Any unexpended portion of the Proceeds of the Loan, including any amounts in any reasonably required reserve or replacement fund, will be invested in the investment contract described in the Trust Indenture for the Bonds and other than any funds described herein invested during a temporary period permitted under Treas. Regs. §1.148-1 through -11, issued under the Code, if any, or any amounts in any reasonably required reserve or replacement fund, as described in Treas. Reg. §1.148-2(f), no Proceeds of the Loan, or any moneys that may become Replacement Proceeds, as defined in Treas. Reg. §1.148-1(c), of the Loan, in excess of the lesser of (i) five percent (5%) of such Proceeds or (ii) \$100,000, have been invested in "higher yielding investments", as defined in the Code and the Treasury Regulations thereunder.

7. General.

a. The District reasonably expects that neither the projects financed with the proceeds of the Refunded Bonds, nor any part thereof, will be sold or otherwise disposed of by the District prior to the final principal maturity date of the Loan.

b. There are no amounts, other than any funds specifically contributed by the District and the Gross Proceeds of the Loan, that are available for the Governmental Purpose and the term of the Loan is not longer than reasonably necessary for the Governmental Purpose.

c. Any Rebate Payments and any Yield Reduction Payments (each as defined in the Supplemental Tax Certificate), owed pursuant to Section 148(f) of the Code, will be remitted to the United States Treasury as directed by KRWFC, pursuant to the Supplemental Tax Certificate entered into with respect to the Bonds.

d. The District has not employed in connection with the Loan a transaction or series of transactions that attempts to circumvent the provisions of Sections 103(b)(2) and 148 of the Code and the Treasury Regulations thereunder, enabling the District to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage and/or increasing the burden on the market for tax-exempt obligations through actions such as issuing more obligations, issuing obligations sooner or allowing them to remain outstanding longer than would otherwise be necessary for the Governmental Purpose.

e. KRWFC has never been advised of any listing or contemplated listing by the Internal Revenue Service to the effect that the District's certification with respect to its obligations may not be relied upon and no notice to that effect has been published in the Internal Revenue Bulletin.

f. Certain of the facts, estimates and circumstances contained herein are based upon representations made by KRWFC in the attached certificate, or in other letters and reports that accompany the sundry closing documents related to the sale and delivery of the Loan. The District is not aware of any facts, estimates or circumstances that would cause it to question the accuracy of such representations. To the best of the knowledge, information and belief of the undersigned, who is authorized by the District to sign this certificate on behalf of the District, the above expectations of the District as stated herein are reasonable and there are no other facts, estimates or circumstances that would materially change the foregoing conclusion.

This certificate is being executed and delivered pursuant to Treas. Regs. §1.148-1 through -11 issued under the Code, of which the undersigned, with the advice of counsel, is generally familiar. On the basis of the foregoing, it is, not expected that the proceeds of the Loan will be used in a manner that would cause the Loan or the Bonds to be "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code or the Treasury Regulations thereunder.

Dated as of May 29, 2008.

RATTLESNAKE RIDGE WATER
DISTRICT

By:  _____
Chairman

SUPPLEMENTAL TAX CERTIFICATE

Re: Loan in the amount of \$665,000, dated May 29, 2008, to the Rattlesnake Ridge Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Bonds (Flexible Term Program), Series 2008C.

THIS SUPPLEMENTAL TAX CERTIFICATE (the "Supplemental Tax Certificate") is made and entered into as of May 29, 2008 by and between the Kentucky Rural Water Finance Corporation ("KRWFC") and the Rattlesnake Ridge Water District (the "District"):

WITNESSETH:

WHEREAS, the District has agreed, in an Assistance Agreement dated the date hereof (the "Agreement") to borrow \$665,000 (the "Loan") pursuant to a Program administered by KRWFC and funded with a portion of the proceeds of the \$7,300,000 Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Bonds (Flexible Term Program), Series 2008C which were issued on May 29, 2008 (the "Bonds") by KRWFC pursuant to and secured by a Trust Indenture, dated as of April 4, 2001 between the Issuer and Regions Bank, Nashville, Tennessee, as successor in interest to Fifth Third Bank (know known as The Bank of New York Trust Company, N.A., as supplemented by a Supplemental Trust Indenture No. 31, dated May 29, 2008 (collectively the "Indenture"), between the Issuer and Regions Bank, Nashville, Tennessee,

WHEREAS, the City has agreed in the Agreement to use the proceeds of the Loan to finance the cost to currently refund the outstanding Rattlesnake Ridge Water District Waterworks Refunding Revenue Bonds, Series 1996, dated February 20, 1996, in the original authorized principal amount of \$875,000 (the "Refunded Bonds"), for the District's waterworks system (the "System"), which refunding of the Refunded Bonds shall be hereinafter referred to as the "Project"; and

WHEREAS, it is necessary for the parties hereto to enter into this Supplemental Tax Certificate to ensure that interest paid on the Bonds and on the Loan shall all be and shall all remain excludable from gross income for Federal income purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and is not and will not become a specific item of tax preference under Section 57(a)(5)(C) of the Code for the federal alternative minimum tax and to comply with the requirements of KRWFC's Tax Certificate (the "Tax Certificate") dated as of May 29, 2008 issued with respect to the Bonds.

NOW, THEREFORE, the parties hereto agree and bind themselves as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. In addition to words and terms defined elsewhere in this Supplemental Tax Certificate, the Code and Regulations (each as herein defined), the Arbitrage Certificate (as hereinafter defined), the Indenture and the Agreement, the following capitalized words and terms used in this Supplemental Tax Certificate shall have the following meanings, unless some other meaning is plainly intended:

"Arbitrage Bond" means any obligation of a Governmental Entity that is treated as an arbitrage bond under Sections 103(b)(2) and 148 of the Code.

"Arbitrage Certificate" means the Tax Certificate under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended, for the Bonds given by KRWFC, including certifications given with respect thereto by the Financial Advisor, the Underwriter and KRWFC, and for the Loan given by the District.

"Closing Date" means the date of this Supplemental Tax Certificate.

"Cost of Issuance" means any expenditure incurred in connection with the issuance of the Loan or the District's share of such expenditures relating to the Bonds, including such costs as underwriters' spread, rating agency fees, appraisal costs, attorneys' and accountants' fees and printing costs, but excluding Qualified Guarantee Fees or expenditures incurred in connection with the Project.

"Disposition Proceeds" means the amounts, including property, received from the sale, exchange or other disposition of the Project.

"Federally-Guaranteed" means having the payment of either the principal of or interest on any portion of the Loan or any loan made with the Proceeds of any portion of the Loan guaranteed, in whole or in part, directly or indirectly, by the United States, or acquiring any Investment Property that is, directly or indirectly federally-insured, except as otherwise permitted by Section 149(b) of the Code.

"Governmental Entity" means any State and any political subdivision and agency of any State.

"Gross Proceeds" means Sale Proceeds and Replacement Proceeds, determined pursuant to Treas. Regs. §1.148-1(b) and -1(c), all until spent.

"Investment Proceeds" means any amounts actually or constructively earned or received from investing the Proceeds in Investment Property.

"Investment Property" means any security (as defined in Section 165(g)(2)(A) or (B) of the Code), obligation (including any Tax-Exempt Bond), annuity contract or other investment-type property.

"Non-Governmental Entity" means any person or entity, other than a Governmental Entity.

"Pledged Fund" means any amount pledged, directly or indirectly, to pay principal of or interest on the Loan and that provides reasonable assurance of such amounts being paid even if the District experiences financial difficulties, including amounts subject to a negative pledge.

"Private Loan" means any loan, directly or indirectly, of any of the Proceeds of an obligation of a Governmental Entity to any Non-Governmental Entity.

"Private Use" means the use of any Proceeds of the Loan or any facilities financed with such Proceeds by Private Users.

"Private User" means any Non-Governmental Entity, other than a natural person not engaged in a trade or business.

"Rebate Amount" means the amount determined by KRWFC pursuant to the Tax Certificate.

"Rebate Payments" means any payment of the Rebate Amount made to the United States Treasury.

"Redemption Date" means the date on which the last of the principal of and interest on the Loan has been paid, whether upon maturity, redemption or acceleration thereof.

"Replacement Proceeds" means amounts replaced by Proceeds of the Loan, including any sinking fund, Pledged Fund, restricted gifts (not including qualified endowment funds, pursuant to Treas. Reg. §1.148-6(d)(3)(iii)(C)) or reserve or replacement fund, or other funds that would be available, directly or indirectly, to pay debt service on the Loan, within the meaning of Treas. Reg. §1.148-1(c).

"Research Agreement" means an agreement between the District and a Private User under which the District or the Private User uses any portion of the System to carry on research.

"Sale Proceeds" means the Loan amount.

"Service Contract" means a contract between the District and a Service Provider under which the Service Provider provides services involving any portion or function of a Governmental Facility financed with Governmental Bonds.

"*Service Provider*" means any Private User that provides management or other services.

"*State*" means any state and possession of the United States and the District of Columbia.

"*Treasury Regulation*" and "*Treas. Reg.*" means any Regulation, Proposed Regulation or Temporary Regulation, as may be applicable, issued by the United States Treasury Department pursuant to the Code or the 1954 Code, as appropriate.

"*Yield*" means, pursuant to Treas. Regs. §1.148-4 and -5, that discount rate which, when computing the present value of all payments of principal and interest to be paid on an obligation, produces an amount equal to, in the case of the Loan, the Issue Price and in the case of any Investment Property, the fair market value, as provided in Treas. Reg. §1.148-5(d).

"*Yield Reduction Amount*" means the amount determined by KRWFC pursuant to the Tax Certificate.

"*Yield Reduction Payment*" means any payment of the Yield Reduction Amount made to the United States Treasury.

Section 1.02. Interpretative Rules. For all purposes of this Supplemental Tax Certificate, except as otherwise expressly provided or unless the context otherwise requires (a) "Supplemental Tax Certificate" means this instrument, as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof; (b) all references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed; (c) the words "herein", "hereof", "hereunder", "herewith" and other words of similar import refer to this Supplemental Tax Certificate as a whole and not to any particular Article, Section or other subdivision; (d) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular; (e) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; (f) the terms defined elsewhere in this Supplemental Tax Certificate shall have the meanings therein prescribed for them; (g) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders; (h) the headings used in this Supplemental Tax Certificate are for convenience of reference only and shall not define or limit the provisions hereof.

ARTICLE II

COVENANTS, REPRESENTATIONS, ACKNOWLEDGMENTS AND DIRECTIONS

Section 2.01. Authority and Organization. (a) The District represents for the benefit of KRWFC that it is a political subdivision of the Commonwealth of Kentucky with the power, among others, to enter into the Agreement in furtherance of its corporate purposes, including financing the cost of the Project.

(b) KRWFC represents for the benefit of the District that (i) KRWFC is duly organized and validly existing under the laws of the Commonwealth of Kentucky; and (ii) KRWFC has full power and authority to establish a program to enter into loans and assistance agreements with political subdivisions and public agencies of the Commonwealth of Kentucky.

Section 2.02. Use of Proceeds. The District represents that:

(a) Deposit and Use of Proceeds.

(i) \$630,445 of the face amount of the Loan, plus funds transferred from the Borrower's refunded bonds sinking fund in the amount of \$22,840.00, plus funds transferred from the Borrower's refunded bonds debt service reserve fund in the amount of \$72,275.00, will be transferred to the Borrower's Governmental Agency Account and used on the date hereof to refund the Refunded Bonds;

(ii) \$22,500.00 of the face amount of the Loan will be used on the date hereof to pay costs associated with the making of the Loan; and

(iii) A rounding amount of \$3,979.70 will be deposited to the Borrower's Sinking Fund Account and used to satisfy interest with respect to the Borrower's Loan.

The remaining difference between the face amount of the Loan and the above deposits results from the fact that the Loan is being acquired from the Borrower at a discount from its face amount in the amount of \$8,075.30 (original issue discount of \$2,436.10, plus an underwriter's discount of \$5,639.20).

(b) No Private Use of Proceeds. No more than 5% of the Proceeds of the Loan will be used for private business use, in accordance with the rules contained in Treas. Reg. 1.141-3. The District expects to use the System for the entire stated term of the Agreement.

(c) Expectations. Reserved.

(d) Use of the System. The District will own and operate the System during the entire term of the Agreement and will not change the use or ownership of any part of the System during the entire term of the Agreement without the prior written consent of KRWFC.

(e) Reimbursement Allocations. Reserved.

(f) Investment Limitations. (i) The District will invest the Gross Proceeds of the Loan and any Disposition Proceeds of the Loan under the Investment Agreement unless otherwise authorized in writing by KRWFC.

(ii) If at any time, either the District determines or is informed that the Yield on the investment of moneys held by itself or any other person must be restricted or limited in order

to prevent the Bonds from becoming Arbitrage Bonds, the District shall, and shall so instruct any holder of the Sale Proceeds or Investment Proceeds of the Loan, to take such action or actions as may be necessary to restrict or limit the yield on such investments as set forth in, and in accordance with, such instruction.

(g) *Temporary period for amounts in District's Governmental Agency Account.* Reserved.

(h) *Federal Guarantees.* The Gross Proceeds will not be invested in any Investment Property that is Federally-Guaranteed.

(i) *No Transferred Proceeds.* All of the proceeds of the Prior Bonds have been expended and there are therefore no Transferred Proceeds with respect to the Prior Bonds.

Section 2.03. Service Contracts. The District represents that it will not enter into any Service Contracts or management contracts with respect to the System without the prior written consent of KRWFC and agrees that any Service Contracts or management contracts relating to bond-financed property will comply with the management contract safe harbors of Rev. Proc. 97-13.

Section 2.04. Research Agreements. The District represents that it will not enter into any Research Agreements with respect to the System without the prior written consent of KRWFC.

Section 2.05. Changes in Use or User of System. The District represents that (a) no part of the System will be sold, or otherwise disposed of without the prior written consent of KRWFC; (b) it will not permit any use of its System by any person or entity other than itself without the prior written consent of KRWFC; (c) any portion of the System consisting of personal property may be sold in the ordinary course of an established governmental program if (i) the weighted average maturity of the portion of the Loan financing the personal property was not greater than one hundred twenty percent (120%) of the reasonably expected actual use of such personal property by the District, (ii) the District expected at the date of the Agreement that the fair market value of the personal property at the time of disposition would not be greater than twenty-five percent (25%) of its cost and (iii) at the time of disposition, the personal property is no longer suitable for the governmental purpose for which it was acquired.

Section 2.06. Investments. The District will expend the proceeds of the Loan on the date hereof and does not contemplate investing the Gross Proceeds of the Loan.

Section 2.07. Loan is a Purpose Obligation of the Bonds. The Bonds were issued to establish a program to make loans to Governmental Agencies pursuant to assistance agreements and therefore constitute a governmental program for the acquisition of purpose investments. At least 95% of the payments made by the District pursuant to the Agreement will be used to pay principal, interest, or redemption prices on the Bonds, or to pay administrative costs of the Bonds. The District covenants not to acquire the Bonds or other bonds of KRWFC related to the

Program. The yield on the Loan to the District does not exceed the yield on the Bonds by more than 1.5 percent.

Section 2.08. No Abusive Arbitrage Device. Both KRWFC and the District agree that they will not take any action that will enable KRWFC or the District to take any action that (a) has the effect of enabling KRWFC or the District to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (b) overburdens the market for tax-exempt obligations in any manner. The amount of proceeds of the Loan is not reasonably expected to exceed the amount necessary for the District to accomplish the governmental purposes described in the Agreement.

Section 2.09. Records. The District represents that proper records and accounts, containing complete and correct entries of all transactions relating to the Agreement, the use of the Gross Proceeds of the Agreement and the expenditures made in connection with the Project, will be maintained. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

Section 2.10. Payment of Arbitrage Compliance Amounts. The District represents that all actions necessary to comply with the Yield limitations applicable to investments of the Sale Proceeds and Investment Proceeds of the Loan and the rebate requirements contained in Section 148(f) of the Code and the Treasury Regulations thereunder will be taken. Immediately upon the request of KRWFC, the District will assemble copies of records concerning investments of Gross Proceeds of the Loan, including any amounts held by any provider of a letter of credit or guarantor under a reimbursement or other similar agreement. In particular, the District will provide KRWFC with information that will enable KRWFC to determine if any Rebate Amount is payable. The District will pay any Rebate Payment and any Yield Reduction Payment owed with respect to the Gross Proceeds of the Loan, as determined by KRWFC. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

Section 2.11. Election to Apply Rebate Exception Separately to the Loan. The District hereby elects and KRWFC has previously elected to have the spending exceptions of Treas. Reg. 1.148-7 and the small issuer exceptions of Treas. Reg. 1.148-8 applied separately to the Loan.

The applicable beginning date in applying the spending exceptions of Treas. Reg. 1.148-7 is the Closing Date. The spending exceptions include the six month exception described in Treas. Reg. 1.148-7(c), the eighteen month exception described in Treas. Reg. 1.148-7(d), and the two year exception described in Treas. Reg. 1.148-7(e).

Section 2.12. Information Reporting Requirements. The District represents that it will timely execute and file any information reports required under Section 149(e) of the Code (Form 8038-G) or as required by KRWFC.

Section 2.13. Compliance with Supplemental Tax Certificate. (a) The District may, at any time, employ bond counsel, independent certified public accountants, or other qualified

experts acceptable to KRWFC to perform any of the requirements imposed upon the District by this Supplemental Tax Certificate.

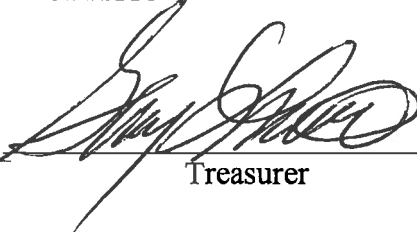
(b) KRWFC and the District agree, to the extent reasonably possible, to comply with any amendments to the Code or any applicable Regulations, effective retroactively, and KRWFC and the District shall take all actions necessary to amend this Supplemental Tax Certificate to comply therewith.

(c) Whenever any action or direction is required of the District hereunder, such action or direction may, or in the absence of any such action or direction shall, be made by KRWFC.

(d) Any restriction or covenant contained in this Supplemental Tax Certificate need not be observed or may be changed if KRWFC and the District receive an opinion of Tax Counsel to the effect that such nonobservance or change will not adversely effect the exclusion of interest on any of the Bonds from gross income for purposes of Federal income taxation.

IN WITNESS WHEREOF, KRWFC and the District have each caused this Supplemental Tax Certificate to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth above.

KENTUCKY RURAL WATER FINANCE CORPORATION

By  _____
Treasurer

RATTLESNAKE RIDGE WATER DISTRICT

By _____
Chairman

experts acceptable to KRWFC to perform any of the requirements imposed upon the District by this Supplemental Tax Certificate.

(b) KRWFC and the District agree, to the extent reasonably possible, to comply with any amendments to the Code or any applicable Regulations, effective retroactively, and KRWFC and the District shall take all actions necessary to amend this Supplemental Tax Certificate to comply therewith.

(c) Whenever any action or direction is required of the District hereunder, such action or direction may, or in the absence of any such action or direction shall, be made by KRWFC.

(d) Any restriction or covenant contained in this Supplemental Tax Certificate need not be observed or may be changed if KRWFC and the District receive an opinion of Tax Counsel to the effect that such nonobservance or change will not adversely effect the exclusion of interest on any of the Bonds from gross income for purposes of Federal income taxation.

IN WITNESS WHEREOF, KRWFC and the District have each caused this Supplemental Tax Certificate to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth above.

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
Treasurer

RATTLESNAKE RIDGE WATER DISTRICT

By Billy Gilbert
Chairman

**CERTIFICATE OF BONDOWNER AS TO
CONSENT TO ISSUANCE OF A LOAN TO THE
RATTLESNAKE RIDGE WATER DISTRICT
RANKING ON A PARITY WITH
OTHER BONDS OF THE DISTRICT**

Re: Loan in the amount of \$665,000, dated May 29, 2008, to the Rattlesnake Ridge Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2008C.

The Rural Development (the "RD") of the Department of Agriculture of the United States of America hereby certifies that it is the owner of the following:

1. Rattlesnake Ridge Water District Water System Revenue Bonds, Series of 1989, dated June 6, 1989, in the original authorized principal amount of \$195,000 (the "Series 1989 Bonds");
2. Rattlesnake Ridge Water District Water System Revenue Bonds, Series of 1992, dated September 2, 1992, in the original authorized principal amount of \$365,000 (the "Series 1992 Bonds");
3. Rattlesnake Ridge Water District Water System Revenue Bonds, 1994 Series A and B, dated May 8, 1995, in the original authorized principal amount of \$631,000 (the "Series 1994 Bonds");
4. Rattlesnake Ridge Water District Waterworks Revenue Bonds, 1995 Series A and B, dated September 6, 1996, in the original authorized principal amount of \$545,000 (the "Series 1995 Bonds");
5. Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series 2000, dated October 2, 2001, in the original authorized principal amount of \$1,325,000, consisting of \$900,000 of Series A Bonds and \$425,000 of Series B Bonds (the "Series 2000 Bonds");
6. Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series 2001, dated June 21, 2001, in the original authorized principal amount of \$960,000, consisting of \$900,000 of Series A Bonds and \$60,000 of Series B Bonds (the "Series 2001 Bonds"); and
7. Rattlesnake Ridge Water District Waterworks Revenue Bonds, Series 2004, dated June 4, 2004, in the original authorized principal amount of \$1,889,000, consisting of \$1,340,000 of Series A Bonds and \$549,000 of Series B Bonds (the "Series 2004 Bonds").

(The Series 1989 Bonds, Series 1992 Bonds, Series 2004 Bonds, Series 2005 Bonds, Series 2000 bonds, Series 2001 Bonds, and Series 2004 Bonds are hereinafter collectively referred to as the "Prior Bonds").

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

May 29, 2008

Kentucky Rural Water Finance Corporation
P.O. Box 1424
3251 Springhollow Avenue
Bowling Green, Kentucky 42102-1424

Regions Bank
Corporate Trust Department
315 Deaderick Street, 4th Floor
Mail Code: NA0408
Nashville Tennessee 37237

Re: Loan in the amount of \$665,000, dated May 29, 2008, to the Rattlesnake Ridge Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Bonds (Flexible Term Program), Series 2008C.

We have examined a certified copy of the transcript of proceedings of the Rattlesnake Ridge Water District, a political subdivision of the Commonwealth of Kentucky (the "District") relating to the authorization and issuance of its Assistance Agreement, dated as of May 29, 2008, (the "Assistance Agreement") by and between the District and the Kentucky Rural Water Finance Corporation, representing a loan in the aggregate principal amount of \$665,000 (the "Loan").

The Loan has been authorized and issued pursuant to the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), including particularly Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), in accordance with the Assistance Agreement.

We have examined such portions of the Constitution, Statutes and laws of the United States, the Constitution, Statutes and laws of the Commonwealth, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the Commonwealth and the District as to certain factual matters.

Based upon the foregoing, it is our opinion, under the law existing on the date of this opinion, that:

1. The District is a political subdivision of the Commonwealth, duly organized and validly existing under the laws of the Commonwealth and has the legal right and authority to borrow the Loan.

2. The Assistance Agreement has been duly authorized, executed and delivered by the District and is a valid and binding obligation of the District enforceable in accordance with its terms.

3. The Loan has been duly authorized by the District and is a valid and binding limited and special obligation of the District enforceable in accordance with its terms.

4. The Loan is payable as to principal, premium, if any, and interest from and is secured by a pledge of and a lien on the revenues of the District's System, as defined in the Assistance Agreement.

5. Interest on the Loan is excludable from gross income for federal income tax purposes. In addition, the Loan is not a "private activity bond" as defined in Section 141(a) of the Internal Revenue Code of 1986, as amended (the "Code") and, therefore, the interest received by the owners of the Loan is not an item of tax preference for purposes of the Code's alternative minimum tax provisions, except interest received by a corporation is included in corporate book income and in "adjusted current earnings" for purposes of computing its alternative minimum tax liability.

6. Interest on the Loan is exempt from Kentucky income taxation and the Loan is exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

Our opinion set forth above is subject to the qualification that the enforceability of the Assistance Agreement, the Loan and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights, and to the exercise of judicial discretion in accordance with general equitable principles.

A handwritten signature in blue ink, appearing to read "Rubina Hayes".