

**TRANSCRIPT OF PROCEEDINGS**  
**ALLEN COUNTY WATER DISTRICT**  
**LOAN IN THE AMOUNT OF \$2,935,000**

**FROM THE**

**KENTUCKY RURAL WATER FINANCE CORPORATION**  
**PUBLIC PROJECTS REFUNDING REVENUE**  
**BONDS (FLEXIBLE TERM PROGRAM)**  
**SERIES 2012D**  
**DATED MAY 30, 2012**  
**IN THE AMOUNT OF \$15,975,000**

**APPROVING LEGAL OPINION**

**By**

**RUBIN & HAYS**  
Municipal Bond Attorneys  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7525

## **TRANSCRIPT OF PROCEEDINGS INDEX**

Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

### **ASSISTANCE AGREEMENT AND CLOSING DOCUMENTATION**

- a. Resolution of the Board of Commissioners, dated March 6, 2012.
- b. Minutes of Meeting of the Board of Commissioners on March 6, 2012.
- c. Assistance Agreement.
- d. Supplemental Tax Certificate.
- e. Arbitrage Certificate.
- f. Certificate of Officers.
- g. PSC Application.
- h. PSC Certificate of Public Convenience and Necessity.
- i. Certificate as to Debt Service Savings.
- j. Certificate of Kentucky Rural Water Finance Corporation as to Consent to Issuance of Loan.
- k. Certificate of Rural Development as to consent to issuance of the loan ranking on a parity with other bonds of the District.
- l. Certificate of Kentucky Infrastructure Authority as to Parity.
- m. Letter of the State Local Debt Officer.
- n. Legal Opinion of Rubin & Hays.
- o. Form 8038-G, Information Return for Tax-Exempt Governmental Obligations.

## RESOLUTION

### RESOLUTION OF THE ALLEN COUNTY 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 Board of Commissioners ("Governing Authority") of the Allen County Water District (the "District") has previously determined that it is in the public interest to refinance and currently refund its outstanding:

- 1) Allen County Water District Waterworks Revenue Bonds of 1989, dated March 13, 1990, in the original authorized principal amount of \$257,000 ("Series 1989 Bonds");
- 2) Allen County Water District Waterworks Revenue Bonds of 1993, dated April 26, 1994, in the original authorized principal amount of \$615,000 ("Series 1993 Bonds");
- 3) Allen County Water District Waterworks Revenue Bonds, Series 1997, dated October 16, 1997, in the original authorized principal amount of \$617,000 ("Series 1997 Bonds"); and
- 4) Allen County Water District Waterworks Revenue Bonds, Series 1999, dated May 26, 1999, in the original authorized principal amount of \$1,988,000 ("Series 1999 Bonds").

(The Series 1989, 1993, 1997 and 1999 Bonds are hereinafter collectively referred to as the "Prior Bonds"), in order for the District to obtain substantial interest cost savings, which Prior Bonds were issued by the District to make improvements and extensions to the District's waterworks system (the "System"); and

**WHEREAS**, the District desires the Kentucky Rural Water Finance Corporation (the "Corporation") to act as its agency and instrumentality for the purpose of providing monies to refinance and currently refund the outstanding Prior Bonds 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;

**NOW, THEREFORE, BE IT RESOLVED** by the Governing Authority of the Allen County 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 refinancing and current refunding of the Prior Bonds, the District hereby authorizes and approves the issuance of its obligations pursuant to the Assistance Agreement in the aggregate principal amount of \$2,970,000 (subject to adjustment plus or minus ten percent (10%)) (which aggregate principal amount may be adjusted downward in the event that the Chairman determines it is in the District's best interest to not refund one of the Prior Bonds) [the "Obligations"], which amount as adjusted shall be the maximum amount of such Obligations to be outstanding at any one time under the Assistance Agreement, issued as fully registered Obligations, in said maturities and terms as more fully provided for in the Assistance Agreement. The Obligations shall bear interest at such rates and shall be payable in such amounts and at such times as specified in the Assistance Agreement, all as agreed upon by the District and the Corporation.

**2. Approval and Authorization of Execution of Assistance Agreement.** The Assistance Agreement by and between the District and the Corporation in such form as may be approved by the Chairman, 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 refinancing and current refunding of the Prior Bonds 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 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, Treasurer, 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 6, 2012.

ALLEN COUNTY WATER DISTRICT

By Bobby D. Carter  
(Chairman)

Attest:

By Sherry M. Olson  
Secretary

**CERTIFICATE**

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Governing Authority of the District at a meeting duly held on March 6, 2012; 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 6, 2012.

Sherry M. Olson  
Secretary

**Regular Meeting Allen County Water District  
Board of Commissioners, March 6, 2012**

**The Allen County Water District Board of Commissioners met in regular session, March 6, 2012 at 4:00 p.m. in the district's office located at 330 New Gallatin Road, Scottsville, Kentucky.**

**Commissioners present for the meeting were Tracy Oliver, Bobby Carter, Wayne Jackson, Doug McClure and Joe Young.**

**Also present Mike Montgomery with Audit report for 2011 and Bob Pennington with Morgan Keegan along with Andy Lange with Kentucky Rural Water Finance Corporation about refinancing 4 loans with R.D.**

**Meeting called to order by Bobby Carter, Chairman.**

**Motion made by Joe Young, seconded by Doug McClure to approve the audit for 2011, vote unanimous.**

**Motion made by Joe Young, seconded by Doug McClure to accept Resolution for refinancing 4 bonds, 1999, 1989, 1993, 1997 through KRWAFC at a lower interest rate than Rural Development, vote unanimous.**

**Motion made by Tracy Oliver, seconded by Wayne Jackson to authorize Garry Wade to sign checking accounts and get a credit card in his name with a limit of \$5,000 and to remove Bobby Petty from all checking accounts and other accounts at the bank and to cancel the credit card in Bobby Petty's name, vote unanimous.**

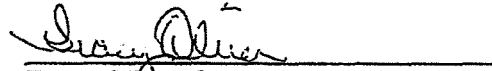
**Motion made by Wayne Jackson, seconded by Bobby Carter to hire Amanda Anderson for full time employment and give her raise to bring her to \$10.50 an hour, vote unanimous.**

**Motion made by Doug McClure, seconded by Wayne Jackson to approve the minutes, vote unanimous.**

**Motion made by Joe Young, seconded by Doug McClure to pay the bills, vote unanimous.**

**Motion made by Wayne Jackson, seconded by Bobby Carter to adjourn the meeting, vote unanimous.**

  
Bobby G. Carter, Chairman

  
Tracy Oliver, Secretary/Treasurer

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**ASSISTANCE AGREEMENT**

**BETWEEN**

**KENTUCKY RURAL WATER FINANCE CORPORATION**

**AND**

**ALLEN COUNTY WATER DISTRICT**

**DATED**

**MAY 30, 2012**

**IN THE AMOUNT OF \$2,935,000**

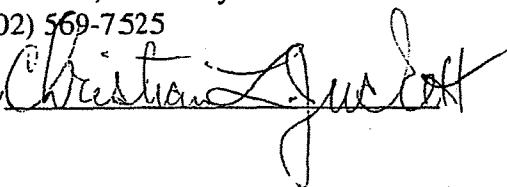
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This document was prepared by:

**RUBIN & HAYS**  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202  
(502) 569-7525

By



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## **ASSISTANCE AGREEMENT**

This Assistance Agreement made and entered into as of May 30, 2012 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") and the Allen County Water District, P.O. Box 58, Scottsville, Kentucky 42164 (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 Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as trustee (the "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 Refunding Revenue Bonds (Flexible Term Program), Series 2012D (the "Series 2012D Bonds") in the aggregate principal amount of \$15,975,000, pursuant to a Supplemental Trust Indenture No. 46, dated as of May 30, 2012 by and between the Issuer and the Trustee, which Series 2012D 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 (i) Allen County Water District Waterworks Revenue Bonds of 1989, dated March 13, 1990, in the original authorized principal amount of \$257,000, (ii) Allen County Water District Waterworks Revenue Bonds of 1993, dated April 26, 1994, in the original authorized principal amount of \$615,000, (iii) Allen County Water District Waterworks Revenue Bonds, Series 1997, dated October 16, 1997, in the original authorized principal amount of \$617,000, and (iv) Allen County Water District Waterworks Revenue Bonds, Series 1999, dated May 26, 1999, in the original authorized principal amount of \$1,988,000 (collectively, the "Refunded Bonds"), which bonds were issued by the Governmental Agency 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 Refunded 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 \$2,935,000 [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 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 1978*" or "*1978 Bond Legislation*" refers to the resolution authorizing the Series 1978 Bonds, which was adopted by the Governing Body on April 4, 1978.

"*Bond Legislation of 1989*" or "*1989 Bond Legislation*" refers to the resolution authorizing the Series 1989 Bonds, which was adopted by the Governing Body on October 10, 1989.

"*Bond Legislation of 1993*" or "*1993 Bond Legislation*" refers to the resolution authorizing the Series 1993 Bonds, which was adopted by the Governing Body on June 1, 1993.

"*Bond Legislation of 1997*" or "*1997 Bond Legislation*" refers to the resolution authorizing the Series 1997 Bonds, which was adopted by the Governing Body on February 4, 1997.

"*Bond Legislation of 1999*" or "*1999 Bond Legislation*" refers to the resolution authorizing the Series 1999 Bonds, which was adopted by the Governing Body on November 4, 1998.

"*Bond Legislation of 2006*" or "*2006 Bond Legislation*" refers to the resolution authorizing the Series 2006 Bonds, which was adopted by the Governing Body on April 4, 2006.

"*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.

"*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.

"*Current Sinking Fund*" refers to the Allen County Water District Sinking Fund of 2006, created in Section 401 of the 2006 Bond Legislation.

"*Depreciation Fund*" refers to the Allen County Water District Depreciation Reserve Fund, described in Section 402 of the 2006 Bond Legislation.

"*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.

"*Fiscal Year*" refers to the annual accounting period of the Governmental Agency, beginning on January 1, and ending on December 31, of each year.

"*Funds*" refers to the Revenue Fund, the Current Sinking Fund, the Prior 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 Allen County Water District, P.O. Box 58, Scottsville, Kentucky 42164.

"*Governmental Agency Chief Executive*" refers to the Chairman of the Board of Commissioners 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. 46, dated May 30, 2012, by and between the Issuer and the Trustee.

"*Interest Payment Date*" shall mean the 1<sup>st</sup> day of each month, commencing July 1, 2012 and continuing through and including January 1, 2038 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 \$2,935,000, maturing January 1, 2038.

"*Operation and Maintenance Fund*" refers to the Allen County Water District Waterworks Operation and Maintenance Fund created and confirmed in the Prior Bond Legislation, which Fund will continue to be maintained for the benefit of the System.

"*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 the following:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in the Commonwealth of Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- i. United States Treasury;
- ii. Export-Import Bank of the United States;
- iii. Farmers Home Administration;
- iv. Government National Mortgage Corporation; and
- v. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

- i. Federal Home Loan Mortgage Corporation;
- ii. Federal Farm Credit Banks;
- iii. Bank for Cooperatives;
- iv. Federal Intermediate Credit Banks;
- v. Federal Land Banks;
- vi. Federal Home Loan Banks;
- vii. Federal National Mortgage Association; and
- viii. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or

similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated on one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) 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 eligible investments under this section.

Investments in the above instruments are subject to the following conditions and limitations:

(a) The amount of money invested at any time by a local government or political subdivision in one (1) or more of the categories of investments authorized by subsection (e), (f), (g), and (i) of this definition shall not exceed twenty percent (20%) of the total amount of money invested by the local government; and

(b) No local government or political subdivision shall purchase any investment authorized herein on a margin basis or through the use of any similar leveraging technique.

*"Prior Bond Legislation"* refers to the 1978 Bond Legislation and Series 2001A Assistance Agreement.

*"Prior Bonds"* refers collectively to the Series 1978 Bonds and Series 2001A Loan.

*"Prior Sinking Fund"* refers to the Allen County Water District Waterworks Bond and Interest Sinking Fund, described in Section 401 of the 2006 Bond Legislation.

*"Program"* refers to the Issuer's Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvement 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 Program Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

*"Project"* refers to financing the cost to currently refund the outstanding Refunded Bonds, with the proceeds of the Obligations.

*"Refunded Bonds"* refers to the Series 1989 Bonds, Series 1993 Bonds, Series 1997 Bonds and Series 1999 Bonds.

*"Revenue Fund"* refers to the Allen County Water District Waterworks Revenue Fund created in the Prior Bond Legislation and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

*"Series 1978 Bonds"* refer to the outstanding Allen County Water District Waterworks Revenue Bonds of 1978, dated July 11, 1978, in the original authorized principal amount of \$58,000.

*"Series 1989 Bonds"* refer to the outstanding Allen County Water District Waterworks Revenue Bonds of 1989, dated March 13, 1990, in the original authorized principal amount of \$257,000.

*"Series 1993 Bonds"* refer to the outstanding Allen County Water District Waterworks Revenue Bonds of 1993, dated April 26, 1994, in the original authorized principal amount of \$615,000.

*"Series 1997 Bonds"* refer to the outstanding Allen County Water District Waterworks Revenue Bonds, Series 1997, dated October 16, 1997, in the original authorized principal amount of \$617,000.

*"Series 1999 Bonds"* refer to the outstanding Allen County Water District Waterworks Revenue Bonds, Series 1999, dated May 26, 1999, in the original authorized principal amount of \$1,988,000.

*"Series 2001A Assistance Agreement"* refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated June 27, 2001, authorizing the Series 2001A Loan.

"*Series 2001A Loan*" refers to the loan in the amount of \$401,000, dated June 27, 2001, to the Governmental Agency from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2001A.

"*Series 2006 Bonds*" refer to the outstanding Allen County Water District Waterworks Revenue Bonds, Series 2006, dated November 7, 2007, in the original authorized principal amount of \$1,614,000.

"*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 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 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$2,935,000 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 to the Trustee for the Program. Such payment shall be made by the Governmental Agency from funds on deposit in the Prior 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 Prior 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.* Subject to the prior written approval of the Compliance Group, the Obligations maturing on or after January 1, 2022 are subject to optional redemption, in whole or in part, by the Governmental Agency prior to their stated maturity, at any time falling on or after January 1, 2021 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. Recognition of Prior Bonds.** The Governmental Agency hereby expressly recognizes and acknowledges that the Governmental Agency has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Legislation.

**Section 6. 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 Prior Sinking Fund, as heretofore created in the Prior Bond Legislation and 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.

**Section 7. 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 8. Flow of Funds.** All proceedings preliminary to and in connection with the issuance of the Outstanding Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Outstanding Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Outstanding Bonds and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Obligations, 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. Prior Sinking Fund.** There shall be transferred from the Revenue Fund and deposited into the Prior Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the 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 all Prior Bonds then outstanding, plus

- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Obligations and Prior Bonds maturing on the next succeeding payment date.

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

**C. Current Sinking Fund.** After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred monthly from said Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Series 2006 Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Series 2006 Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Series 2006 Bonds maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Series 2006 Bonds, but subject to the vested rights and priorities of the Obligations and Prior Bonds.

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

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

**F. Surplus Funds.** Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations,

there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Depreciation Fund for application in accordance with the terms of this 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 9. Disposition of Proceeds of the Obligations; Governmental Agency Account.** Upon (i) the execution of this Assistance Agreement, (ii) the delivery 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 "Allen County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and such amount on deposit in said Governmental Agency Account shall be transferred to the Rural Development (the "RD") of the Department of Agriculture of the United States of America, the holder of the Refunded Bonds, as may be required:

(1) To pay the interest on the Refunded Bonds to and including May 31, 2012;  
and

(2) To redeem on May 31, 2012 at a price equal to 100% of principal amount the Refunded Bonds that as of that date have not been redeemed, retired or otherwise paid, thereby defeasing the pledge of revenues and the property securing the Refunded 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 10. 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 Prior 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 Prior 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 Prior Sinking Fund.

(5) That amounts accumulated in the Prior 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 11. 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 reserves the right to finance future extensions, additions, and/or improvements to the System by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from, the revenues of the System pledged to the Prior Bonds and the Obligations, 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 at the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the "annual net revenues" to be realized, within 12 months of the completion of the project, from the proposed extensions, additions and/or improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments shall be based upon and included in a certification of an Certified Public Accountant.

(e) Reference is made to the necessity of obtaining the written consent of the United States Department of Agriculture Rural Development or its successor [the "RD"] for the issuance of future bonds encumbering the System while the RD holds any bonds payable from the revenues of the System.

(f) The Governmental Agency hereby covenants and agrees that in the event any additional Parity Bonds are issued, the Governmental Agency shall:

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

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

(g) 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:

(1) 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

(2) in the alternative, that the average 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 average 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 12. Rates and Charges for Services of the System.** While the Obligations remain 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 (as defined in Section 11 hereof) 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 11 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 11 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 13. 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 14. 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 cash and/or U.S. Obligations, 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 U.S. Obligations 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 15. 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 16. 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 17. 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 18. 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 19. 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 20. 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 21. 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, 2011) 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.

**Section 22. 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 23. 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 24. 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 25. 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.

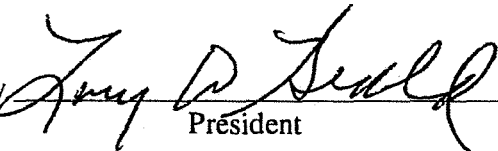
**Section 26. Signatures of Officers.** If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Obligations cease to be such officers before delivery of the Obligations, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

**Section 27. 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.

*[Signature page follows]*

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 Allen County 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

ALLEN COUNTY WATER DISTRICT

By \_\_\_\_\_  
Chairman

Attest:

By \_\_\_\_\_  
Secretary

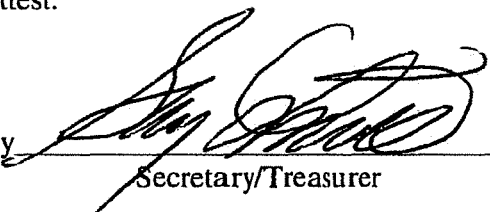


IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Allen County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer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

KENTUCKY RURAL WATER FINANCE CORPORATION

By \_\_\_\_\_  
President

Attest:

By  \_\_\_\_\_  
Secretary/Treasurer

ALLEN COUNTY 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 Allen County 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

ALLEN COUNTY WATER DISTRICT

By Bobby G. Carter  
Chairman

Attest:

By Jacq. H. Olive  
Secretary

**EXHIBIT A**

**Debt Service Schedule**

**KRWFC Flexible Term Program Series 2012 D  
Sinking Fund Payment Schedule**

**Borrower:** Allen County Water District  
**Closing Date:** 05/30/12

	Monthly Principal	Monthly Interest	Monthly Admin.Fees	Total Monthly Sinking Fund Payments
7/12-1/13	8,571.43	9,702.28	561.38	18,835.09
2/13-7/13	7,083.33	8,254.27	479.17	15,816.77
8/13-1/14	7,083.33	8,254.27	479.17	15,816.77
2/14-8/14	7,500.00	7,970.94	465.00	15,935.94
8/14-1/15	7,500.00	7,970.94	465.00	15,935.94
2/15-7/15	7,500.00	7,670.94	450.00	15,620.94
8/15-1/16	7,500.00	7,670.94	450.00	15,620.94
2/16-7/16	7,916.67	7,445.94	435.00	15,797.61
8/16-1/17	7,916.67	7,445.94	435.00	15,797.61
2/17-7/17	8,333.33	7,287.61	419.17	16,040.11
8/17-1/18	8,333.33	7,287.61	419.17	16,040.11
2/18-7/18	8,333.33	7,037.61	402.50	15,773.44
8/18-1/19	8,333.33	7,037.61	402.50	15,773.44
2/19-7/19	8,750.00	6,787.61	385.83	15,923.44
8/19-1-20	8,750.00	6,787.61	385.83	15,923.44
2/20-7/20	8,750.00	6,525.11	368.33	15,643.44
8/20-1/21	8,750.00	6,525.11	368.33	15,643.44
2/21-7/21	9,166.67	6,284.48	350.83	15,801.98
8/21-1/22	9,166.67	6,284.48	350.83	15,801.98
2/22-7/22	9,166.67	6,009.48	332.50	15,508.65
8/22-1/23	9,166.67	6,009.48	332.50	15,508.65
2/23-7/23	9,583.33	5,725.31	314.17	15,622.81
8/23-1/24	9,583.33	5,725.31	314.17	15,622.81
2/24-7/24	10,000.00	5,418.65	295.00	15,713.65
8/24-1/25	10,000.00	5,418.65	295.00	15,713.65
2/25-7/25	10,416.67	5,078.65	275.00	15,770.31
8/25-1/26	10,416.67	5,078.65	275.00	15,770.31
2/26-7/26	10,833.33	4,724.48	254.17	15,811.98
8/26-1/27	10,833.33	4,724.48	254.17	15,811.98
2/27-7/27	11,250.00	4,345.31	232.50	15,827.81
8/27-1/28	11,250.00	4,345.31	232.50	15,827.81
2/28-7/28	11,666.67	3,951.56	210.00	15,828.23
8/28-1/29	11,666.67	3,951.56	210.00	15,828.23
2/29-7/29	10,833.33	3,543.23	186.67	14,563.23
8/29-1/30	10,833.33	3,543.23	186.67	14,563.23
2/30-7/30	11,250.00	3,150.52	165.00	14,565.52
8/30-2/31	11,250.00	3,150.52	165.00	14,565.52
2/31-7/31	11,666.67	2,742.71	142.50	14,551.88
8/31-1/32	11,666.67	2,742.71	142.50	14,551.88
2/32-7/32	12,083.33	2,305.21	119.17	14,507.71
8/32-1/33	12,083.33	2,305.21	119.17	14,507.71
2/33-7/33	9,583.33	1,852.08	95.00	11,530.42
8/33-1/34	9,583.33	1,852.08	95.00	11,530.42
2/34-7/34	9,583.33	1,492.71	75.83	11,151.88
8/34-1/35	9,583.33	1,492.71	75.83	11,151.88
2/35-7/35	10,000.00	1,133.33	56.67	11,190.00
8/35-1/36	10,000.00	1,133.33	56.67	11,190.00
2/36-7/36	10,416.67	733.33	36.67	11,186.67
8/36-1/37	10,416.67	733.33	36.67	11,186.67
2/37-7/37	7,916.67	316.67	15.83	8,249.17
8/37-1/38	7,916.67	316.67	15.83	8,249.17
2/38-7/38	-	-	-	-
	<u>2,935,000.00</u>	<u>1,481,368.66</u>	<u>82,679.63</u>	<u>4,499,048.29</u>

## SUPPLEMENTAL TAX CERTIFICATE

Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

THIS SUPPLEMENTAL TAX CERTIFICATE (the "Supplemental Tax Certificate") is made and entered into as of May 30, 2012 by and between the Kentucky Rural Water Finance Corporation ("KRWFC") and the Allen County Water District (the "District"):

### WITNESSETH:

WHEREAS, the District has agreed, in an Assistance Agreement dated the date hereof (the "Agreement") to borrow \$2,935,000 (the "Loan") pursuant to a Program administered by KRWFC and funded with a portion of the proceeds of the \$15,975,000 Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D that were issued on May 30, 2012 (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 and The Bank of New York Trust Company, N.A.), as supplemented by a Supplemental Trust Indenture No. 46, dated May 30, 2012 (collectively the "Indenture"), between the Issuer and Regions Bank;

WHEREAS, the District has agreed in the Agreement to use the proceeds of the Loan to finance the current refunding of the outstanding: (i) Allen County Water District Waterworks Revenue Bonds of 1989, dated March 13, 1990, in the original authorized principal amount of \$257,000, (ii) Allen County Water District Waterworks Revenue Bonds of 1993, dated April 26, 1994, in the original authorized principal amount of \$615,000, (iii) Allen County Water District Waterworks Revenue Bonds, Series 1997, dated October 16, 1997, in the original authorized principal amount of \$617,000, and (iv) Allen County Water District Waterworks Revenue Bonds, Series 1999, dated May 26, 1999, in the original authorized principal amount of \$1,988,000 (collectively, the "Refunded Bonds") (The refunding of the Refunded Bonds is referred to herein as the "Project") for the District's waterworks system (the "System"); 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 April 4, 2001 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 that, 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. \$2,904,623.83 (Loan proceeds in the amount of \$2,838,059.26, plus transfers from the Refunded Bonds sinking fund in the amount of \$66,564.57) will be used to currently refund the Refunded Bonds;
- ii. \$49,025.00 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 \$3,671.24 will be deposited to the Sinking Fund (as defined in the Agreement) and used to pay interest on the 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 District at a discount from its face amount in the amount of \$44,244.40 (underwriter's discount of \$49,310.85 less an original issue premium of \$5,066.35).

*(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 Refunded Bonds have been expended and there are therefore no Transferred Proceeds with respect to the Refunded 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.

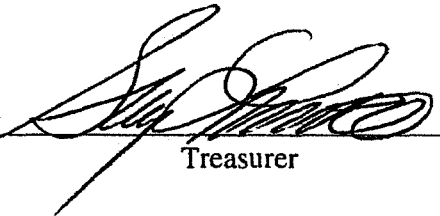
(b) KRWFC and the District agree, to the extent reasonably possible, to comply with any amendments to the Code or any applicable Regulations, effective retroactively, and KRWFC and the District shall take all actions necessary to amend this Supplemental Tax Certificate to comply therewith.

(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

ALLEN COUNTY WATER DISTRICT

By \_\_\_\_\_  
Chairman

(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

ALLEN COUNTY WATER DISTRICT

By Bobby D. Carter  
Chairman

## ARBITRAGE CERTIFICATE

Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

The undersigned officer of the Allen County Water District (the "District") hereby certifies with respect to the loan in the amount of \$2,935,000 (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 \$15,975,000 Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D (the "Bonds") issued by KRWFC, which Agreement is entered into for the purpose of currently refunding certain obligations of the District, secured by 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 finance the current refunding of the outstanding:

i. Allen County Water District Waterworks Revenue Bonds of 1989, dated March 13, 1990, in the original authorized principal amount of \$257,000,

ii. Allen County Water District Waterworks Revenue Bonds of 1993, dated April 26, 1994, in the original authorized principal amount of \$615,000,

iii. Allen County Water District Waterworks Revenue Bonds, Series 1997, dated October 16, 1997, in the original authorized principal amount of \$617,000, and

iv. Allen County Water District Waterworks Revenue Bonds, Series 1999, dated May 26, 1999, in the original authorized principal amount of \$1,988,000

(collectively, the "Refunded Bonds"), which constitutes a valid governmental purpose (the "Governmental Purpose").

b. The total amount of Proceeds received by the District will not exceed the amount necessary to finance the Governmental Purpose. The Agreement is being entered into at this time in such amount because the Borrower expects to redeem the Refunded Bonds on May 31, 2012.

**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 **3.7348779%**. The term "yield", as used herein, means that yield which, when used in computing the present worth of all payments of principal and interest on an obligation, produces an amount equal to, in the case of the Bonds, the amount actually received by the District as a result of the sale of the Bonds (including any accrued interest).

**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 Project.** An amount of the "Net Sales Proceeds" (defined in Treas. Reg. §1.148-1(b) as Sales Proceeds less an amount that is the lesser of five percent (5%) of the Sales Proceeds or \$100,000) of the Loan as specified in the Supplemental Tax Certificate executed by the District and dated of even date herewith will be deposited into the Governmental Agency Account with Regions Bank, Nashville, Tennessee, then transferred to the Rural Development (the "RD") of the Department of Agriculture of the United States of America, the holder of the Refunded Bonds, as may be required:

a. To pay the interest on the Refunded Bonds to and including May 31, 2012;  
and

b. To redeem on May 31, 2012 at a price equal to 100% of principal amount the Refunded Bonds that as of that date have not been redeemed, retired or otherwise paid, thereby defeasing the pledge of 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 that will be pledged to payment of the Loan under circumstances such that the holder of the Loan is reasonably assured that 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 District's 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 such 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 project 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 30, 2012.

ALLEN COUNTY WATER DISTRICT

By Bobby D. Carter  
Chairman

**CERTIFICATE OF OFFICERS OF  
ALLEN COUNTY WATER DISTRICT**

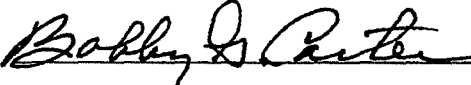
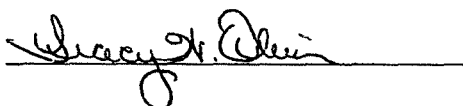
Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

The undersigned officials of the Allen County Water District (the "District") under the Assistance Agreement (the "Agreement") between the District and the Kentucky Rural Water Finance Corporation ("KRWFC"), dated the date hereof, 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 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>
Bobby Carter	Chairman	
Tracy Oliver	Secretary	

4. 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 6, 2012 (the "Resolution"), authorizing the appropriate officials of the District to execute the Agreement. The Resolution was duly adopted in accordance with all applicable laws.

5. The Resolution duly authorized the current refunding of the following outstanding bonds of the District: (i) Allen County Water District Waterworks Revenue Bonds of 1989, dated March 13, 1990, in the original authorized principal amount of \$257,000, (ii) Allen County Water District Waterworks Revenue Bonds of 1993, dated April 26, 1994, in the original authorized principal amount of \$615,000, (iii) Allen County Water District Waterworks Revenue Bonds, Series 1997, dated October 16, 1997, in the original authorized principal amount of \$617,000, and (iv) Allen County Water District Waterworks Revenue Bonds, Series 1999, dated

May 26, 1999, in the original authorized principal amount of \$1,988,000 (collectively, the "Refunded Bonds").

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. 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 Resolution 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.

8. 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**.

9. 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.

10. 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.

11. 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.

12. 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).

13. 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 30, 2012.

ALLEN COUNTY WATER DISTRICT

By Bobby D. Carter  
Chairman

Attest:

By George W. Allen  
Secretary

**EXHIBIT A**

**DISTRIBUTION OF LOAN PROCEEDS SCHEDULE**

Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

**SOURCES OF FUNDS**

Par Amount of Loan	\$2,935,000.00
Transfer from Refunded Bonds Sinking Fund	66,564.57
Plus Original Issue Premium	<u>5,066.35</u>
<b>Total Sources</b>	<b>\$3,006,630.92</b>

**USES OF FUNDS**

Deposit to Allen County Water District Governmental Agency Account to refund the Refunded Bonds	2,904,623.83
Underwriter's Discount	49,310.85
Deposit to Allen County Water District Sinking Fund	3,671.24
Deposit to Costs of Issuance Account	<u>49,025.00</u>
<b>Total Uses</b>	<b>\$3,006,630.92</b>

ALLEN COUNTY WATER DISTRICT

By: Bobby D. Carter  
Chairman

Steve 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

April 30, 2012

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

RE: Case No. 2012-00144

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

JD/ke  
Enclosure

KentuckyUnbridledSpirit.com



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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ALLEN COUNTY WATER )  
DISTRICT TO ISSUE SECURITIES IN THE )  
APPROXIMATE PRINCIPAL AMOUNT OF )  
\$2,940,000 FOR THE PURPOSE OF REFUNDING ) CASE NO. 2012-00144  
CERTAIN OUTSTANDING REVENUE BONDS OF )  
THE DISTRICT PURSUANT TO THE PROVISIONS )  
OF KRS 278.300 AND 807 KAR 5:001 )


ORDER

Allen County Water District ("Allen District") has requested a deviation from 807 KAR 5:001, Section 11(2)(a), which requires the filing of a financial exhibit covering "operations for a twelve (12) month period . . . ending not more than ninety (90) days prior to the date the application is filed." It has provided its financial statements for calendar year 2011 and represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

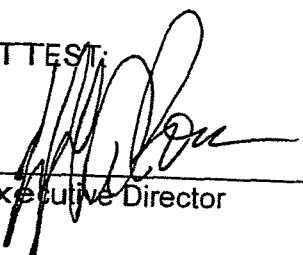
Finding that Allen District has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a), the Commission HEREBY ORDERS that:

1. Allen District's motion to deviate from 807 KAR 5:001, Section 11(2)(a), is granted.
2. Allen District's application is considered filed as of the date of this Order.

By the Commission

ENTERED   
APR 30 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

Case No. 2012-00144



Steve 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

April 16, 2012

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

RE: Case No. **2012-00144**

Allen County Water District  
(Financing)

This letter is to acknowledge receipt of initial filing in the above case. The filing was date-stamped received April 16, 2012 and has been assigned Case No. 2012-00144. In all future correspondence or filings in connection with this case, please reference the above case number. Public comments and responses to public comments regarding this case may be viewed on the Commission's web site at <http://www.psc.ky.gov>.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

JD/ke

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF:

THE APPLICATION OF ALLEN COUNTY )  
 WATER DISTRICT TO ISSUE SECURITIES IN )  
 THE APPROXIMATE PRINCIPAL AMOUNT OF )  
 \$2,940,000 FOR THE PURPOSE OF REFUNDING ) CASE NO. 2012 - \_\_\_\_\_  
 CERTAIN OUTSTANDING REVENUE BONDS OF )  
 THE DISTRICT PURSUANT TO THE PROVISIONS )  
 OF KRS 278.300 AND 807 KAR 5:001 )

\*\* \*\*\* \*\*\*\* \*\*\*\*\* \*\*\*\* \*\* \*\*

APPLICATION

The Applicant, Allen County 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 amount of \$2,940,000 (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:

I. 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 Allen County, which Order is on file in the County Court Order Books in the office of the Clerk of Allen 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:

Allen County Water District  
c/o Ms. Sue Carter, Office Manager  
P.O. Box 58  
Scottsville, Kentucky 42164  
Telephone: (270) 622-3040

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 2011 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 \$2,940,000 (subject to adjustment of up to 10%) for the purpose of refunding the outstanding revenue bonds designated as (i) Allen County Water District Waterworks Revenue Bonds of 1989, dated March 13, 1990, in the original principal amount of \$257,000, bearing interest at the rate of 5.00% per annum (the "1990 Bonds"); (ii) Allen County Water District Waterworks Revenue Bonds of 1993, dated April 26, 1994, in the original principal amount of \$615,000, bearing interest at the rate of 4.50% per annum (the "1994 Bonds"); (iii) Allen County Water District Waterworks Revenue Bonds, Series 1997, dated October 16, 1997, in the original

principal amount of \$617,000, bearing interest at the rate of 5.00% per annum (the "1997 Bonds"); and (iv) Allen County Water District Waterworks Revenue Bonds, Series 1999, dated May 26, 1999, in the original principal amount of \$1,988,000, bearing interest at the rate of 4.75% per annum (the "1999 Bonds") (hereinafter, the 1990 Bonds, the 1994 Bonds, the 1997 Bonds and the 1999 Bonds shall be collectively referred to as the "Prior Bonds"). The Prior Bonds are held by the U.S. Department of Agriculture, acting through Rural Development.

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 (ii) 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 a net present value benefit of approximately \$150,945.57. 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 the date of sale of the proposed KRWFC Loan. 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 debt service 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 Revenues and Expenses and Changes in Net Assets, Balance Sheet and Statement of Cash Flows for the twelve month period ending on December 31, 2011 are attached hereto and incorporated herein by 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 2011 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 Water 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, 2011. The financial data filed with this Application is for the twelve (12) month period ending December 31, 2011. 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.

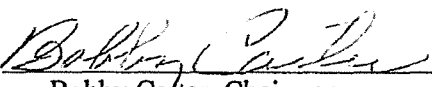
18. No rate adjustment will be necessary.

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

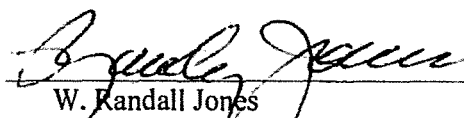
1. Authorize the issuance of the securities requested in the Application;
2. Grant the District a deviation from 807 KAR 5:001, Section 6 to allow the submission of the District's 2011 Annual Report and 2011 audited financial statements in lieu of more recent financial data as there has been no change that is material in nature in the financial condition or operation of the District since December 31, 2011, 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.

Allen County Water District

By   
Bobby Carter, Chairman  
P.O. Box 58  
Scottsville, Kentucky 42164  
Phone: (270) 622-3040

Rubin & Hays

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

STATE OF KENTUCKY            )  
                                          ) SS  
COUNTY OF ALLEN            )

The affiant, Bobby Carter, being first duly sworn, states: That he is the Chairman of the Allen County 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 9 day of April, 2012.

  
\_\_\_\_\_  
Bobby Carter, Chairman

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Bobby Carter, Chairman of the Allen County Water District, on this the 9 day of April, 2012.

My Commission expires: 2-23-13.

  
\_\_\_\_\_  
NOTARY PUBLIC



Preliminary

**\$2,940,000**

Allen County Water District  
 Kentucky Rural Water Finance Corporation  
 Public Projects Refunding Revenue Bonds, Series 2012 D

**Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/25/2012	-	-	-	-	-
02/01/2013	55,000.00	2.350%	82,769.33	137,769.33	-
08/01/2013	-	-	53,333.75	53,333.75	-
12/30/2013	-	-	-	-	191,103.08
02/01/2014	85,000.00	2.350%	53,333.75	138,333.75	-
08/01/2014	-	-	52,335.00	52,335.00	-
12/30/2014	-	-	-	-	190,668.75
02/01/2015	85,000.00	2.400%	52,335.00	137,335.00	-
08/01/2015	-	-	51,315.00	51,315.00	-
12/30/2015	-	-	-	-	188,650.00
02/01/2016	90,000.00	2.550%	51,315.00	141,315.00	-
08/01/2016	-	-	50,167.50	50,167.50	-
12/30/2016	-	-	-	-	191,482.50
02/01/2017	90,000.00	2.550%	50,167.50	140,167.50	-
08/01/2017	-	-	49,020.00	49,020.00	-
12/30/2017	-	-	-	-	189,187.50
02/01/2018	95,000.00	3.450%	49,020.00	144,020.00	-
08/01/2018	-	-	47,381.25	47,381.25	-
12/30/2018	-	-	-	-	191,401.25
02/01/2019	95,000.00	3.450%	47,381.25	142,381.25	-
08/01/2019	-	-	45,742.50	45,742.50	-
12/30/2019	-	-	-	-	188,123.75
02/01/2020	100,000.00	3.450%	45,742.50	145,742.50	-
08/01/2020	-	-	44,017.50	44,017.50	-
12/30/2020	-	-	-	-	189,760.00
02/01/2021	105,000.00	3.450%	44,017.50	149,017.50	-
08/01/2021	-	-	42,206.25	42,206.25	-
12/30/2021	-	-	-	-	191,223.75
02/01/2022	105,000.00	3.450%	42,206.25	147,206.25	-
08/01/2022	-	-	40,395.00	40,395.00	-
12/30/2022	-	-	-	-	187,601.25
02/01/2023	110,000.00	3.450%	40,395.00	150,395.00	-
08/01/2023	-	-	38,497.50	38,497.50	-
12/30/2023	-	-	-	-	188,892.50
02/01/2024	115,000.00	3.450%	38,497.50	153,497.50	-
08/01/2024	-	-	36,513.75	36,513.75	-
12/30/2024	-	-	-	-	190,011.25
02/01/2025	120,000.00	3.450%	36,513.75	156,513.75	-
08/01/2025	-	-	34,443.75	34,443.75	-
12/30/2025	-	-	-	-	190,957.50
02/01/2026	125,000.00	3.600%	34,443.75	159,443.75	-
08/01/2026	-	-	32,193.75	32,193.75	-
12/30/2026	-	-	-	-	191,637.50
02/01/2027	130,000.00	3.700%	32,193.75	162,193.75	-
08/01/2027	-	-	29,788.75	29,788.75	-
12/30/2027	-	-	-	-	191,982.50
02/01/2028	135,000.00	3.850%	29,788.75	164,788.75	-
08/01/2028	-	-	27,190.00	27,190.00	-
12/30/2028	-	-	-	-	191,978.75
02/01/2029	140,000.00	3.950%	27,190.00	167,190.00	-
08/01/2029	-	-	24,425.00	24,425.00	-
12/30/2029	-	-	-	-	191,615.00
02/01/2030	130,000.00	3.950%	24,425.00	154,425.00	-
08/01/2030	-	-	21,857.50	21,857.50	-
12/30/2030	-	-	-	-	176,282.50
02/01/2031	135,000.00	4.150%	21,857.50	156,857.50	-
08/01/2031	-	-	19,056.25	19,056.25	-
12/30/2031	-	-	-	-	175,913.75
02/01/2032	140,000.00	4.150%	19,056.25	159,056.25	-
08/01/2032	-	-	16,151.25	16,151.25	-
12/30/2032	-	-	-	-	175,207.50
02/01/2033	150,000.00	4.150%	16,151.25	166,151.25	-
08/01/2033	-	-	13,038.75	13,038.75	-
12/30/2033	-	-	-	-	179,190.00
02/01/2034	120,000.00	4.150%	13,038.75	133,038.75	-
08/01/2034	-	-	10,548.75	10,548.75	-
12/30/2034	-	-	-	-	143,587.50
02/01/2035	120,000.00	4.350%	10,548.75	130,548.75	-
08/01/2035	-	-	7,938.75	7,938.75	-
12/30/2035	-	-	-	-	138,487.50
02/01/2036	130,000.00	4.350%	7,938.75	137,938.75	-
08/01/2036	-	-	5,111.25	5,111.25	-
12/30/2036	-	-	-	-	143,050.00
02/01/2037	135,000.00	4.350%	5,111.25	140,111.25	-
08/01/2037	-	-	2,175.00	2,175.00	-
12/30/2037	-	-	-	-	142,786.25
02/01/2038	100,000.00	4.350%	2,175.00	102,175.00	-
12/30/2038	-	-	-	-	102,175.00
<b>Total</b>	<b>\$2,940,000.00</b>	-	<b>\$1,672,456.83</b>	<b>\$4,612,456.83</b>	-

**Yield Statistics**

Bond Year Dollars	\$42,374.00
Average Life	14.413 Years
Average Coupon	3.9468939%
Net Interest Cost (NIC)	4.0596628%
True Interest Cost (TIC)	4.0613312%
Bond Yield for Arbitrage Purposes	3.8379464%
All Inclusive Cost (AIC)	4.2507091%
IRS Form 8038	
Net Interest Cost	3.9668766%
Weighted Average Maturity	14.291 Years

Preliminary

**\$2,940,000**

Allen County Water District

Kentucky Rural Water Finance Corporation

Public Projects Refunding Revenue Bonds, Series 2012 D

## Sources & Uses

Dated 04/25/2012 | Delivered 04/25/2012

### Sources Of Funds

Par Amount of Bonds	\$2,940,000.00
Reoffering Premium	3,665.40
Transfers from Prior Issue Debt Service Funds	49,923.44

**Total Sources** **\$2,993,588.84**

### Uses Of Funds

Total Underwriter's Discount (1.750%)	51,450.00
Costs of Issuance	49,100.00
Deposit to Current Refunding Fund	2,890,811.35
Rounding Amount	2,227.49

**Total Uses** **\$2,993,588.84**

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Public Finance

**Morgan Keegan & Company, Inc.**

Preliminary

**\$2,940,000**

Allen County Water District  
Kentucky Rural Water Finance Corporation  
Public Projects Refunding Revenue Bonds, Series 2012 D

## Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	-	67,596.88	67,596.88
12/30/2013	191,103.08	450.00	191,553.08	198,162.82	6,609.74
12/30/2014	190,668.75	450.00	191,118.75	197,542.50	6,423.75
12/30/2015	188,650.00	450.00	189,100.00	196,804.06	7,704.06
12/30/2016	191,482.50	450.00	191,932.50	198,386.56	6,454.06
12/30/2017	189,187.50	450.00	189,637.50	198,267.50	8,630.00
12/30/2018	191,401.25	450.00	191,851.25	198,959.07	7,107.82
12/30/2019	188,123.75	450.00	188,573.75	197,971.57	9,397.82
12/30/2020	189,760.00	450.00	190,210.00	198,307.50	8,097.50
12/30/2021	191,223.75	450.00	191,673.75	197,941.87	6,268.12
12/30/2022	187,601.25	450.00	188,051.25	197,873.44	9,822.19
12/30/2023	188,892.50	450.00	189,342.50	198,079.69	8,737.19
12/30/2024	190,011.25	450.00	190,461.25	199,023.44	8,562.19
12/30/2025	190,957.50	450.00	191,407.50	199,683.44	8,275.94
12/30/2026	191,637.50	450.00	192,087.50	198,105.94	6,018.44
12/30/2027	191,982.50	450.00	192,432.50	199,267.19	6,834.69
12/30/2028	191,978.75	450.00	192,428.75	199,120.94	6,692.19
12/30/2029	191,615.00	450.00	192,065.00	200,153.76	8,088.76
12/30/2030	176,282.50	450.00	176,732.50	184,741.88	8,009.38
12/30/2031	175,913.75	450.00	176,363.75	183,445.00	7,081.25
12/30/2032	175,207.50	450.00	175,657.50	184,841.25	9,183.75
12/30/2033	179,190.00	450.00	179,640.00	186,839.38	7,199.38
12/30/2034	143,587.50	450.00	144,037.50	150,293.13	6,255.63
12/30/2035	138,487.50	450.00	138,937.50	148,804.06	9,866.56
12/30/2036	143,050.00	450.00	143,500.00	149,051.87	5,551.87
12/30/2037	142,286.25	450.00	142,736.25	148,012.81	5,276.56
12/30/2038	102,175.00	450.00	102,625.00	111,588.75	8,963.75
<b>Total</b>	<b>\$4,612,456.83</b>	<b>\$11,700.00</b>	<b>\$4,624,156.83</b>	<b>\$4,888,866.30</b>	<b>\$264,709.47</b>

### PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	264,709.47
Gross PV Debt Service Savings	205,997.88
Effects of changes in Expenses	(7,356.36)
<b>Net PV Cashflow Savings @ 3.838%(Bond Yield)</b>	<b>198,641.52</b>
Transfers from Prior Issue Debt Service Fund	(49,923.44)
Contingency or Rounding Amount	2,227.49
Net Future Value Benefit	\$217,013.52
Net Present Value Benefit	\$150,945.57
Net PV Benefit / \$2,848,000 Refunded Principal	5.300%
Net PV Benefit / \$2,940,000 Refunding Principal	5.134%

### Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012
3/30/2012   10:54 AM	

**Morgan Keegan & Company, Inc.**

Public Finance

Preliminary

**\$257,000**

Allen County Water District

Series 1990

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	4,350.00	4,350.00
12/30/2013	7,000.00	-	8,525.00	15,525.00
12/30/2014	7,000.00	-	8,175.00	15,175.00
12/30/2015	7,000.00	-	7,825.00	14,825.00
12/30/2016	8,000.00	-	7,450.00	15,450.00
12/30/2017	8,000.00	-	7,050.00	15,050.00
12/30/2018	9,000.00	-	6,625.00	15,625.00
12/30/2019	9,000.00	-	6,175.00	15,175.00
12/30/2020	9,000.00	-	5,725.00	14,725.00
12/30/2021	10,000.00	-	5,250.00	15,250.00
12/30/2022	10,000.00	-	4,750.00	14,750.00
12/30/2023	11,000.00	-	4,225.00	15,225.00
12/30/2024	12,000.00	-	3,650.00	15,650.00
12/30/2025	12,000.00	-	3,050.00	15,050.00
12/30/2026	13,000.00	-	2,425.00	15,425.00
12/30/2027	13,000.00	-	1,775.00	14,775.00
12/30/2028	14,000.00	-	1,100.00	15,100.00
12/30/2029	15,000.00	5.000%	375.00	15,375.00
<b>Total</b>	<b>\$174,000.00</b>	-	<b>\$88,500.00</b>	<b>\$262,500.00</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	9.856 Years
Average Coupon	5.0000000%
Weighted Average Maturity (Par Basis)	9.856 Years

### Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

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Preliminary

**\$468,000**

Allen County Water District

Series 1994

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	10,530.00	10,530.00
12/30/2013	13,000.00	-	20,767.50	33,767.50
12/30/2014	14,000.00	-	20,160.00	34,160.00
12/30/2015	14,000.00	-	19,530.00	33,530.00
12/30/2016	15,000.00	-	18,877.50	33,877.50
12/30/2017	16,000.00	-	18,180.00	34,180.00
12/30/2018	17,000.00	-	17,437.50	34,437.50
12/30/2019	17,000.00	-	16,672.50	33,672.50
12/30/2020	19,000.00	-	15,862.50	34,862.50
12/30/2021	19,000.00	-	15,007.50	34,007.50
12/30/2022	20,000.00	-	14,130.00	34,130.00
12/30/2023	21,000.00	-	13,207.50	34,207.50
12/30/2024	22,000.00	-	12,240.00	34,240.00
12/30/2025	24,000.00	-	11,205.00	35,205.00
12/30/2026	24,000.00	-	10,125.00	34,125.00
12/30/2027	26,000.00	-	9,000.00	35,000.00
12/30/2028	27,000.00	-	7,807.50	34,807.50
12/30/2029	29,000.00	-	6,547.50	35,547.50
12/30/2030	30,000.00	-	5,220.00	35,220.00
12/30/2031	31,000.00	-	3,847.50	34,847.50
12/30/2032	33,000.00	-	2,407.50	35,407.50
12/30/2033	37,000.00	4.500%	832.50	37,832.50
<b>Total</b>	<b>\$468,000.00</b>	<b>-</b>	<b>\$269,595.00</b>	<b>\$737,595.00</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	12.485 Years
Average Coupon	4.6141405%
Weighted Average Maturity (Par Basis)	12.485 Years

### Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

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**Morgan Keegan & Company, Inc.**

Public Finance

Preliminary

**\$519,000**

Allen County Water District

Series 1997

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	12,650.63	12,650.63
12/30/2013	10,500.00	-	25,045.32	35,545.32
12/30/2014	11,000.00	-	24,521.25	35,521.25
12/30/2015	11,500.00	-	23,972.81	35,472.81
12/30/2016	12,500.00	-	23,387.81	35,887.81
12/30/2017	13,000.00	-	22,766.25	35,766.25
12/30/2018	13,500.00	-	22,120.32	35,620.32
12/30/2019	14,500.00	-	21,437.82	35,937.82
12/30/2020	15,000.00	-	20,718.75	35,718.75
12/30/2021	16,000.00	-	19,963.12	35,963.12
12/30/2022	16,500.00	-	19,170.94	35,670.94
12/30/2023	17,500.00	-	18,342.19	35,842.19
12/30/2024	18,500.00	-	17,464.69	35,964.69
12/30/2025	19,500.00	-	16,538.44	36,038.44
12/30/2026	20,500.00	-	15,563.44	36,063.44
12/30/2027	21,500.00	-	14,539.69	36,039.69
12/30/2028	22,500.00	-	13,467.19	35,967.19
12/30/2029	24,000.00	-	12,333.76	36,333.76
12/30/2030	25,000.00	-	11,139.38	36,139.38
12/30/2031	26,000.00	-	9,896.25	35,896.25
12/30/2032	28,000.00	-	8,580.00	36,580.00
12/30/2033	29,000.00	-	7,190.63	36,190.63
12/30/2034	31,000.00	-	5,728.13	36,728.13
12/30/2035	32,500.00	-	4,180.31	36,680.31
12/30/2036	34,000.00	-	2,559.37	36,559.37
12/30/2037	35,500.00	4.875%	865.31	36,365.31
<b>Total</b>	<b>\$519,000.00</b>	<b>-</b>	<b>\$394,143.80</b>	<b>\$913,143.80</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	15.261 Years
Average Coupon	4.9761547%
Weighted Average Maturity (Par Basis)	15.261 Years

### Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

3/30/2012 | 10:54 AM

**Morgan Keegan & Company, Inc.**

Public Finance

Preliminary

**\$1,988,000**

Allen County Water District

Series 1999

## Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
12/30/2012	-	-	40,066.25	40,066.25
12/30/2013	34,000.00	-	79,325.00	113,325.00
12/30/2014	35,000.00	-	77,686.25	112,686.25
12/30/2015	37,000.00	-	75,976.25	112,976.25
12/30/2016	39,000.00	-	74,171.25	113,171.25
12/30/2017	41,000.00	-	72,271.25	113,271.25
12/30/2018	43,000.00	-	70,276.25	113,276.25
12/30/2019	45,000.00	-	68,186.25	113,186.25
12/30/2020	47,000.00	-	66,001.25	113,001.25
12/30/2021	49,000.00	-	63,721.25	112,721.25
12/30/2022	52,000.00	-	61,322.50	113,322.50
12/30/2023	54,000.00	-	58,805.00	112,805.00
12/30/2024	57,000.00	-	56,168.75	113,168.75
12/30/2025	60,000.00	-	53,390.00	113,390.00
12/30/2026	62,000.00	-	50,492.50	112,492.50
12/30/2027	66,000.00	-	47,452.50	113,452.50
12/30/2028	69,000.00	-	44,246.25	113,246.25
12/30/2029	72,000.00	-	40,897.50	112,897.50
12/30/2030	76,000.00	-	37,382.50	113,382.50
12/30/2031	79,000.00	-	33,701.25	112,701.25
12/30/2032	83,000.00	-	29,853.75	112,853.75
12/30/2033	87,000.00	-	25,816.25	112,816.25
12/30/2034	92,000.00	-	21,565.00	113,565.00
12/30/2035	95,000.00	-	17,123.75	112,123.75
12/30/2036	100,000.00	-	12,492.50	112,492.50
12/30/2037	104,000.00	-	7,647.50	111,647.50
12/30/2038	109,000.00	4.750%	2,588.75	111,588.75
<b>Total</b>	<b>\$1,687,000.00</b>	<b>-</b>	<b>\$1,288,627.50</b>	<b>\$2,975,627.50</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	4/25/2012
Average Life	15.765 Years
Average Coupon	4.7500000%
Weighted Average Maturity (Par Basis)	15.765 Years

### Refunding Bond Information

Refunding Dated Date	4/25/2012
Refunding Delivery Date	4/25/2012

3/30/2012 | 10:54 AM

**Morgan Keegan & Company, Inc.**

Public Finance

**ALLEN COUNTY WATER DISTRICT  
BALANCE SHEETS  
December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 318,636	\$ 288,602
Certificates of Deposit	3,920,233	3,985,591
Construction in Progress	245,243	-0-
Accounts Receivable from Customers (Note 1)	216,944	204,641
Prepaid Insurance	11,658	15,147
Accrued Interest Receivable	<u>15,693</u>	<u>20,487</u>
Total Current Assets	<u>4,728,407</u>	<u>4,514,468</u>
<b>Utility Plant:</b>		
Utility Plant in Service (Notes 1 and 3)	17,047,287	16,885,442
Less: Accumulated Depreciation	<u>( 5,125,514)</u>	<u>( 4,755,839)</u>
Total Utility Plant, Net	<u>11,921,773</u>	<u>12,129,603</u>
<b>Other Assets:</b>		
Cash (Notes 1 and 4)	857,752	804,925
Certificates of Deposit (Notes 1 and 4)	78,326	77,152
Utility Deposits	555	555
Other Deferred Charges, Net of Accumulated Amortization of \$25,646 and \$23,371, respectively (Note 1)	<u>51,071</u>	<u>53,346</u>
Total Other Assets	<u>987,704</u>	<u>935,978</u>
<b>Total Assets</b>	<b><u>\$17,637,884</u></b>	<b><u>\$17,580,049</u></b>

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



**ALLEN COUNTY WATER DISTRICT  
BALANCE SHEETS (Continued)  
December 31, 2011 and 2010**

	2011	2010
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Notes Payable, Due Within One Year (Note 5)	\$ 172,821	\$ 96,500
Accounts Payable, Payroll Taxes and Other Payables	68,147	83,732
Customer Deposits	61,280	61,280
Accrued Interest	<u>111,461</u>	<u>113,768</u>
<b>Total Current Liabilities</b>	<u>413,709</u>	<u>355,280</u>
<b>Long-Term Liabilities:</b>		
Notes Payable	<u>4,652,000</u>	<u>4,751,500</u>
<b>Total Liabilities</b>	<u>5,065,709</u>	<u>5,106,780</u>
<b>Net Assets:</b>		
Unrestricted	4,298,791	4,333,484
Invested in Capital Assets, Net of Related Debt	<u>7,342,196</u>	<u>7,259,681</u>
<b>Total Unrestricted Net Assets</b>	<u>11,640,987</u>	<u>11,593,165</u>
<b>Temporarily Restricted:</b>		
Bond and Interest Redemption Fund (Note 1)	629,234	600,457
Depreciation Fund (Note 1)	<u>301,954</u>	<u>279,647</u>
<b>Total Temporarily Restricted Net Assets</b>	<u>931,188</u>	<u>880,104</u>
<b>Total Net Assets</b>	<u>12,572,175</u>	<u>12,473,269</u>
<b>Total Liabilities and Net Assets</b>	<u>\$17,637,884</u>	<u>\$17,580,049</u>

The accompanying notes are an integral part of the financial statements

**ALLEN COUNTY WATER DISTRICT**  
**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**  
**For The Years Ended December 31, 2011 and 2010**

	<u>Year Ended December 31, 2011</u>			<u>Year Ended December 31, 2010</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>All Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>All Funds</u>
<b><u>Operating Revenues</u></b>						
Metered Water Sales	\$ 2,017,133	\$ -0-	\$ 2,017,133	\$ 2,020,963	\$ -0-	\$ 2,020,963
Forfeited Discounts	46,240	-0-	46,240	51,181	-0-	51,181
Pumping Charges for Water Returns to Supplier	59,708	-0-	59,708	31,034	-0-	31,034
Miscellaneous Service Revenue	34,408	-0-	34,408	31,092	-0-	31,092
<b>Total Operating Revenues</b>	<b><u>2,157,489</u></b>	<b><u>-0-</u></b>	<b><u>2,157,489</u></b>	<b><u>2,134,270</u></b>	<b><u>-0-</u></b>	<b><u>2,134,270</u></b>
<b><u>Operating Expense</u></b>						
Source of Supply and Pumping	638,157	-0-	638,157	669,077	-0-	669,077
Transmission and Distribution	279,295	-0-	279,295	254,428	-0-	254,428
Customer Accounts	175,954	-0-	175,954	149,647	-0-	149,647
Administrative and General	563,204	-0-	563,204	601,061	-0-	601,061
Depreciation (Note 1)	369,675	-0-	369,675	367,940	-0-	367,940
Amortization (Note 1)	2,275	-0-	2,275	2,275	-0-	2,275
Taxes Other Than Income	39,698	-0-	39,698	37,113	-0-	37,113
<b>Total Operating Expenses</b>	<b><u>2,068,258</u></b>	<b><u>-0-</u></b>	<b><u>2,068,258</u></b>	<b><u>2,081,541</u></b>	<b><u>-0-</u></b>	<b><u>2,081,541</u></b>
<b>Operating Income</b>	<b><u>89,231</u></b>	<b><u>-0-</u></b>	<b><u>89,231</u></b>	<b><u>52,729</u></b>	<b><u>-0-</u></b>	<b><u>52,729</u></b>
<b><u>Nonoperating Revenues and (Expenses)</u></b>						
Interest Income	140,913	2,837	143,750	151,057	3,618	154,675
Interest Expense (Note 4)	( 119)	( 230,617)	( 230,736)	( 104)	( 232,204)	( 232,308)
Miscellaneous Income	11,761	-0-	11,761	12,157	-0-	12,157
<b>Net Nonoperating Revenues and (Expenses)</b>	<b><u>152,555</u></b>	<b><u>( 227,780)</u></b>	<b><u>( 75,225)</u></b>	<b><u>163,110</u></b>	<b><u>( 228,586)</u></b>	<b><u>( 65,476)</u></b>
<b>Income (Loss) Before Other Revenues, Expenses and Transfers</b>	<b><u>241,786</u></b>	<b><u>( 227,780)</u></b>	<b><u>14,006</u></b>	<b><u>215,839</u></b>	<b><u>( 228,586)</u></b>	<b><u>( 12,747)</u></b>
<b><u>Other Revenues, (Expenses) and Transfers</u></b>						
Revenues from Grants – County Fiscal Court	-0-	-0-	-0-	-0-	-0-	-0-
Revenues from Capital Contributions – Water Tap Fees, Other	84,900	-0-	84,900	70,426	-0-	70,426
Transfers Out	96,500	( 96,500)	-0-	92,000	( 92,000)	-0-
Transfers In	( 373,390)	373,390	-0-	( 373,265)	373,265	-0-
<b>Net Other Revenues, (Expenses) and Transfers</b>	<b><u>( 191,990)</u></b>	<b><u>276,890</u></b>	<b><u>84,900</u></b>	<b><u>( 210,839)</u></b>	<b><u>281,265</u></b>	<b><u>70,426</u></b>
<b>Increase (Decrease) in Net Assets, as Adjusted Reclassification</b>	<b><u>49,796</u></b>	<b><u>49,110</u></b>	<b><u>98,906</u></b>	<b><u>5,000</u></b>	<b><u>52,679</u></b>	<b><u>57,679</u></b>
Net Assets – Beginning of Year, as Adjusted	11,593,165	880,104	12,473,269	11,598,001	817,689	12,415,690
<b>Net Assets – End of Year, as Adjusted</b>	<b><u>\$11,640,987</u></b>	<b><u>\$ 931,188</u></b>	<b><u>\$12,572,175</u></b>	<b><u>\$11,593,165</u></b>	<b><u>\$ 880,104</u></b>	<b><u>\$12,473,269</u></b>

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

**ALLEN COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
For The Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows From Operating Activities and Non-Operating Revenues:</b>		
Receipts From Customers	\$2,156,948	\$2,165,946
Salaries, Wages and Employee Benefits	( 789,335)	( 734,765)
Purchased Water	( 638,157)	( 669,077)
Other Operating Expenses	( 333,865)	( 359,118)
Non-Operating Revenues	<u>-0-</u>	<u>-0-</u>
Cash Provided by Operations and Non-Operating Revenues	<u>395,591</u>	<u>402,986</u>
 <b>Cash Flows From Capital and Related Financing Activities:</b>		
Customer Deposits	-0-	2,117
Purchase of Capital Assets and Deferred Charges	( 356,443)	( 131,264)
Proceeds From Interim Construction Funding	73,321	-0-
Principal Paid on Revenue Bonds and Notes Payable	( 96,500)	( 92,000)
Interest Paid on Revenue Bonds and Other Debt	( 230,736)	( 232,204)
Fiscal Court Grants	-0-	-0-
Rural Development Grant	-0-	-0-
Customer Tap Fees and Other Capital Contributions	<u>84,900</u>	<u>70,426</u>
Cash Used in Capital and Related Financing Activities	<u>( 525,458)</u>	<u>( 382,925)</u>
 <b>Cash Flows From Investing Activities:</b>		
Interest on Cash Balances	<u>148,544</u>	<u>154,859</u>
 Net Increase in Cash and Cash Equivalents	18,677	174,920
 Cash and Cash Equivalents, Beginning of Year	<u>5,156,270</u>	<u>4,981,350</u>
 Cash and Cash Equivalents, End of Year	<u>\$5,174,947</u>	<u>\$5,156,270</u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities and Non-Operating Revenues:</b>		
Operating Income	\$ 89,231	\$ 52,729
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities and Non-Operating Revenues -		
Depreciation and Amortization Expense	371,950	370,215
(Increase) Decrease in Accounts Receivable	( 12,303)	19,623
(Increase) Decrease in Prepaid Insurance	3,489	( 515)
Increase (Decrease) in Acc. Payable and Acc. Expenses	( 15,585)	13,865
Capitalized Labor Costs	( 52,953)	( 64,984)
Other Non-Operating Revenue	<u>11,762</u>	<u>12,053</u>
Net Cash Provided by Operations and Non-Operating Revenues	<u>\$ 395,591</u>	<u>\$ 402,986</u>

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

**ALLEN COUNTY WATER DISTRICT  
STATEMENTS OF CASH FLOWS (Continued)  
For The Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Reconciliation of Cash and Cash Equivalents at End of Year To Balance Sheets:</b>		
Current Assets -		
Cash	\$ 318,636	\$ 288,602
Certificates of Deposit/Government Bond Fund	3,920,233	3,985,591
Other Assets -		
Cash	857,752	804,925
Certificates of Deposit	78,326	77,152
Total Cash and Cash Equivalents at End of Year	<u>\$ 5,174,947</u>	<u>\$ 5,156,270</u>

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



Steve L. Beshear  
Governor

David L. Armstrong  
Chairman

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

James Gardner  
Vice Chairman

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

May 21, 2012

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

**CERTIFICATE OF SERVICE**

RE: Case No. **2012-00144**

I, Jeff Derouen, 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 May 21, 2012

\_\_\_\_\_  
Executive Director

JD/ke  
Enclosure

KentuckyUnbridledSpirit.com



An Equal Opportunity Employer M/F/D

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ALLEN COUNTY WATER	)	
DISTRICT TO ISSUE SECURITIES IN THE	)	
APPROXIMATE PRINCIPAL AMOUNT OF	)	
\$2,940,000 FOR THE PURPOSE OF REFUNDING	)	CASE NO. 2012-00144
CERTAIN OUTSTANDING REVENUE BONDS OF	)	
THE DISTRICT PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On April 30, 2012, Allen County Water District ("Allen District") applied to the Commission for approval to execute an agreement with Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$2,940,000 to refund certain outstanding revenue bonds.<sup>1</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Allen District proposes to execute an Assistance Agreement with KRWFC to borrow \$2,949,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 26-year term with interest rates that vary from 2.35 percent to 4.35 percent per annum.<sup>2</sup>

---

<sup>1</sup> Allen District tendered its Application on April 16, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On April 30, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

<sup>2</sup> Application, Ex. A.

2. Allen District proposes to use the loan proceeds to refund the outstanding revenue bonds designated as Allen County Water District Waterworks Revenue Bonds of 1989 ("1990 Bonds"); Allen County Water District Waterworks Revenue Bonds of 1993 ("1994 Bonds"); Allen County Water District Waterworks Revenue Bonds, Series 1997 ("1997 Bonds"); and Allen County Water District Waterworks Revenue Bonds, Series 1999 ("1999 Bonds").

3. Approximately \$174,000 of the 1990 Bonds remain outstanding.<sup>3</sup> These bonds bear interest at a rate of 5 percent per annum and are held by Rural Development.<sup>4</sup>

4. Approximately \$468,000 of the 1994 Bonds remain outstanding.<sup>5</sup> These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

5. Approximately \$519,000 of the 1997 Bonds remain outstanding.<sup>6</sup> These bonds bear interest at a rate of 4.875 percent per annum and are held by Rural Development.

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<sup>3</sup> *Id.*, Ex. D.

<sup>4</sup> Rural Development is an agency of the U.S. Department of Agriculture.

<sup>5</sup> Application, Ex. D.

<sup>6</sup> *Id.*

6. Approximately \$1,687,000 of the 1999 Bonds remain outstanding.<sup>7</sup> These bonds bear interest at a rate of 4.75 percent per annum and are held by Rural Development.

7. Allen District will expend \$2,993,588 to refund the outstanding bonds and to pay bond issuance costs.<sup>8</sup>

8. Allen District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$217,013 and \$150,946, respectively.<sup>9</sup>

9. Allen District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Allen District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Allen District is authorized to execute the Assistance Agreement with KRWFC to borrow no more than \$3,234,000<sup>10</sup> for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions as will produce both positive gross savings and net present value savings.

---

<sup>7</sup> *Id.*

<sup>8</sup> Application at Exhibit B. \$51,450 (Total Underwriter's Discount) + \$49,100 (Cost of Issuance) + \$2,890,811 (Deposit to Current Refunding Fund) + \$2,227 (Rounding Amount) = \$2,993,588. The sources of these funds are: Par Amount of Bonds (\$2,940,000) + Reoffering Premium (\$3,665) and Prior Issue Debt Service Funds (\$49,923) = (\$2,993,588).

<sup>9</sup> *Id.* at Ex. C. In Exhibit C, the utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit" respectively.

<sup>10</sup> \$2,940,000 x 110% = \$3,234,000.



2. If the actual terms and conditions of the Assistance Agreement with KRWFC differ from those set forth in its Application, Allen District shall, within 30 days of executing the Agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

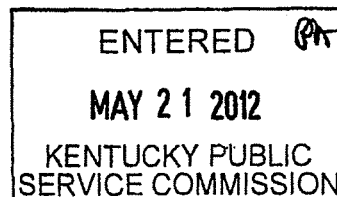
3. Within 30 days of executing the Assistance Agreement, Allen District shall file a written statement with the Commission setting forth the date on which the Agreement was entered, the actual interest rates, and the principal amount.

4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in Allen District's Application.

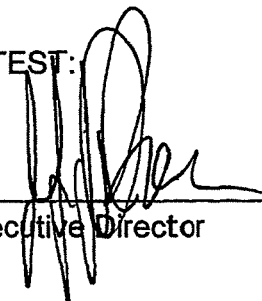
5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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.

By the Commission



ATTEST:

  
\_\_\_\_\_  
Executive Director

Case No. 2012-00144

## CERTIFICATE AS TO DEBT SERVICE SAVINGS

Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

In connection with the issuance of the above referenced loan to the Allen County Water District (the "District"), the undersigned hereby certifies as follows:

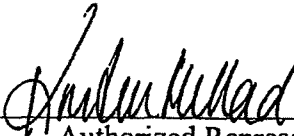
1. That we are the financial advisor in connection with the issuance of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D, the proceeds of which bonds provide the proceeds to fund the above-referenced Series 2012D Loan to the District.
2. That we have been advised that on May 31, 2012 the District intends to refund its:
  - a. Allen County Water District Waterworks Revenue Bonds of 1989, dated March 13, 1990, in the original authorized principal amount of \$257,000;
  - b. Allen County Water District Waterworks Revenue Bonds of 1993, dated April 26, 1994, in the original authorized principal amount of \$615,000;
  - c. Allen County Water District Waterworks Revenue Bonds, Series 1997, dated October 16, 1997, in the original authorized principal amount of \$617,000; and
  - d. Allen County Water District Waterworks Revenue Bonds, Series 1999, dated May 26, 1999, in the original authorized principal amount of \$1,988,000;(collectively, the "Refunded Bonds") with the proceeds of the Series 2012D Loan, which loan is scheduled to close on May 30, 2012.
3. The District's other outstanding long-term debt includes the following bonds:
  - a. Allen County Water District Waterworks Revenue Bonds of 1978, dated July 11, 1978, in the original authorized principal amount of \$58,000.
  - b. Loan in the amount of \$401,000, dated June 27, 2001, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001A.
  - c. Allen County Water District Waterworks Revenue Bonds, Series 2006, dated November 7, 2007, in the original authorized principal amount of \$1,614,000.
4. That we have read and studied a schedule prepared by us and titled Debt Service Comparison, which compares the debt service for the Series 2012D Loan with the debt service for the Refunded Bonds. A copy of such schedule is attached hereto as Exhibit A.
5. That based upon (a) said examination and studies, (b) upon such further examination as was deemed appropriate and necessary by the undersigned, it is hereby certified as follows:

That the debt service requirements for the proposed Series 2012D Loan, in any year of maturities thereof after the redemption of the Refunding Bonds scheduled to be refunded through the issuance of the proposed Series 2012D Loan, does not exceed the scheduled debt service requirements applicable to the then outstanding

Refunding Bonds, for any year prior to the issuance of the proposed Series 2012D Loan and the refunding of the Refunding Bonds.

IN TESTIMONY WHEREOF, witness my signature on behalf of Morgan Keegan & Company, Inc., this May 25, 2012.

RAYMOND JAMES | MORGAN  
KEEGAN

By   
Authorized Representative

Final

**\$2,935,000**

Allen County Water District

Kentucky Rural Water Finance Corporation

Public Projects Refunding Revenue Bonds, Series 2012 D

## Debt Service Comparison

Date	Total P+I	Expenses	Net New D/S	Old Net D/S	Savings
12/30/2012	-	-	-	67,596.88	67,596.88
12/30/2013	184,246.24	450.00	184,696.24	198,162.82	13,466.58
12/30/2014	188,016.26	450.00	188,466.26	197,542.50	9,076.24
12/30/2015	189,341.26	450.00	189,791.26	196,804.06	7,012.80
12/30/2016	186,011.26	450.00	186,461.26	198,386.56	11,925.30
12/30/2017	188,526.26	450.00	188,976.26	198,267.50	9,291.24
12/30/2018	190,881.26	450.00	191,331.26	198,959.07	7,627.81
12/30/2019	187,681.26	450.00	188,131.26	197,971.57	9,840.31
12/30/2020	189,401.26	450.00	189,851.26	198,307.50	8,456.24
12/30/2021	186,172.51	450.00	186,622.51	197,941.87	11,319.36
12/30/2022	187,863.76	450.00	188,313.76	197,873.44	9,559.68
12/30/2023	184,288.76	450.00	184,738.76	198,079.69	13,340.93
12/30/2024	185,518.76	450.00	185,968.76	199,023.44	13,054.68
12/30/2025	186,403.76	450.00	186,853.76	199,683.44	12,829.68
12/30/2026	186,993.76	450.00	187,443.76	198,105.94	10,662.18
12/30/2027	187,338.76	450.00	187,788.76	199,267.19	11,478.43
12/30/2028	187,436.26	450.00	187,886.26	199,120.94	11,234.68
12/30/2029	187,348.76	450.00	187,798.76	200,153.76	12,355.00
12/30/2030	172,272.51	450.00	172,722.51	184,741.88	12,019.37
12/30/2031	172,204.38	450.00	172,654.38	183,445.00	10,790.62
12/30/2032	171,857.50	450.00	172,307.50	184,841.25	12,533.75
12/30/2033	171,228.75	450.00	171,678.75	186,839.38	15,160.63
12/30/2034	136,093.75	450.00	136,543.75	150,293.13	13,749.38
12/30/2035	131,551.25	450.00	132,001.25	148,804.06	16,802.81
12/30/2036	131,760.00	450.00	132,210.00	149,051.87	16,841.87
12/30/2037	131,615.00	450.00	132,065.00	148,012.81	15,947.81
12/30/2038	96,995.00	450.00	97,445.00	111,588.75	14,143.75
<b>Total</b>	<b>\$4,499,048.29</b>	<b>\$11,700.00</b>	<b>\$4,510,748.29</b>	<b>\$4,888,866.30</b>	<b>\$378,118.01</b>

### PV Analysis Summary (Net to Net)

Net PV Cashflow Savings	378,118.01
Gross PV Debt Service Savings	271,698.03
Effects of changes in Expenses	(7,464.39)
Net PV Cashflow Savings @ 3.738%(Bond Yield)	264,233.63
Transfers from Prior Issue Debt Service Fund	(66,564.57)
Contingency or Rounding Amount	3,964.34
Net Future Value Benefit	\$315,517.78
Net Present Value Benefit	\$201,633.40
Net PV Benefit / \$2,848,000 Refunded Principal	7.080%
Net PV Benefit / \$2,935,000 Refunding Principal	6.870%

### Refunding Bond Information

Refunding Dated Date	5/30/2012
Refunding Delivery Date	5/30/2012
5/23/2012   12:26 PM	

**Morgan Keegan & Company, Inc.**

Public Finance

CERTIFICATE OF  
KENTUCKY RURAL WATER FINANCE CORPORATION  
AS TO CONSENT TO ISSUANCE OF A LOAN TO THE  
ALLEN COUNTY WATER DISTRICT  
RANKING ON A PARITY WITH  
OTHER LOANS OF THE DISTRICT

Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

The Kentucky Rural Water Finance Corporation (the "KRWFC") hereby certifies that it is the owner of the following loans to the Allen County Water District (the "District"):

Loan in the amount of \$401,000, dated June 27, 2001, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001A (the "Prior Loan").


The KRWFC consents to a loan in the amount of \$2,935,000 to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D, maturing January 1, 2038, ranking on a parity as to security and source of payment with the Prior Loan without the necessity for establishing compliance with any of the terms and conditions for the issuance of parity bonds, other than this consent of the owner of said outstanding Prior Loan; and the KRWFC further consents to the affixing of a statement on the Prior Loan owned by the KRWFC, reading substantially as follows:

The holder of this Loan has consented to the issuance of  
\$2,935,000 of bonds ranking on a parity as to security and source  
of payment with this Loan.

IN TESTIMONY WHEREOF, witness the duly authorized signature of the Kentucky Rural Water Finance Corporation this May 25, 2012.

KENTUCKY RURAL WATER FINANCE  
CORPORATION

By

  
Secretary/Treasurer

COMMONWEALTH OF KENTUCKY

COUNTY OF WARREN

The foregoing instrument was acknowledged before me this May 25, 2012 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 25, 2012.

My Commission expires: 7/12/14

notary # 423673

Bobbie S. Shanahan  
Notary Public, Kentucky, State at Large

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

Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

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 outstanding bonds:

1. Allen County Water District Waterworks Revenue Bonds of 1978, dated July 11, 1978, in the original authorized principal amount of \$58,000 ("Series 1978 Bonds").
2. Allen County Water District Waterworks Revenue Bonds, Series 2006, dated November 7, 2007, in the original authorized principal amount of \$1,614,000 ("Series 2006 Bonds").

(The Series 1978 Bonds and Series 2006 Bonds are hereinafter collectively referred to as the "Prior Bonds").

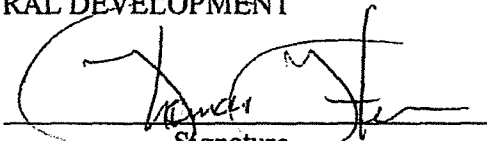
The RD consents to the issuance of the Series 2012D Loan in the amount of \$2,935,000, maturing in 2038, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D, ranking on a parity as to security and source of payment with the Prior Bonds, without the necessity for establishing compliance with any of the terms and conditions for the issuance of parity bonds, other than this consent of the owner of the outstanding Prior Bonds; and the RD further consents to the affixing of a statement on the Prior Bonds owned by the RD, reading substantially as follows:

The holder of this Bond has consented to the issuance of  
\$2,935,000 of bonds ranking on parity as to security and source of  
payment with this Bond.

IN TESTIMONY WHEREOF, witness the duly authorized signature of the Rural Development this     May 30    , 2012.

RURAL DEVELOPMENT

By



Signature

THOMAS G. FERN

State Director

Title





**Document to be provided**  
**by the**  
**Kentucky Infrastructure Authority**  
**at a later date**



**OFFICE OF THE GOVERNOR  
DEPARTMENT FOR LOCAL GOVERNMENT**

**Steven L. Beshear**  
Governor

1024 Capital Center Drive, Suite 340  
Frankfort, Kentucky 40601  
Phone (502) 573-2382  
Fax (502) 573-2939  
Toll Free (800) 346-5606  
[www.dlg.ky.gov](http://www.dlg.ky.gov)

**Tony Wilder**  
Commissioner

October 26, 2012

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

RE: \$2,935,000 Kentucky Rural Water Finance Corporation Public Projects  
Refunding Revenue Bonds (Flexible Term Program), Series 2012D, loan to  
the Allen County Water District, dated May 30, 2012

Dear Mr. Juckett:

This will acknowledge receipt of notification of the issuance of the above bonds in  
conformity with KRS 65.117

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 "Tony Wilder".

TONY WILDER  
Commissioner and State Local Debt Officer

**Kentucky**  
UNBRIDLED SPIRIT

An Equal Opportunity Employer M/F/D

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 30, 2012

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 \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

We have examined a certified copy of the transcript of proceedings of the Allen County 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 30, 2012, (the "Assistance Agreement") by and between the District and the Kentucky Rural Water Finance Corporation, representing a loan in the aggregate principal amount of \$2,935,000 (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.

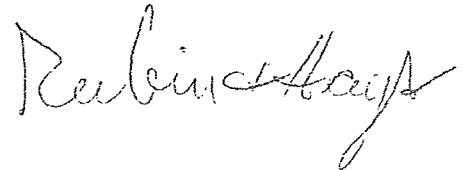
3. The Loan has been duly authorized by the District and is a valid and binding limited and special obligation of the District enforceable in accordance with its terms.

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").

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 cursive script, appearing to read "Reubin Hays", is located in the lower right quadrant of the page.

**Information Return for Tax-Exempt Governmental Obligations**

► Under Internal Revenue Code section 149(e)  
 ► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

<b>Part I Reporting Authority</b>		If Amended Return, check here <input type="checkbox"/>
1 Issuer's name Allen County Water District		2 Issuer's employer identification number (EIN) 61-0997995
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) Christian L. Juckett		3b Telephone number of other person shown on 3a 502-569-7525
4 Number and street (or P.O. box if mail is not delivered to street address) 450 South Third Street	Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Louisville, Kentucky 40202		7 Date of issue May 30, 2012
8 Name of issue Loan from Public Projects Revenue Refunding Bonds (Flexible Term Program), Series 2012D		9 CUSIP number N/A
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Sue Carter		10b Telephone number of officer or other employee shown on 10a 270-622-3040

<b>Part II Type of Issue (enter the issue price). See the instructions and attach schedule.</b>		
11 Education . . . . .	11	
12 Health and hospital . . . . .	12	
13 Transportation . . . . .	13	
14 Public safety . . . . .	14	
15 Environment (including sewage bonds) . . . . .	15	
16 Housing . . . . .	16	
17 Utilities . . . . .	17	2,940,066 35
18 Other. Describe ►	18	
19 If obligations are TANs or RANs, check only box 19a . . . . .		<input type="checkbox"/>
If obligations are BANs, check only box 19b . . . . .		<input type="checkbox"/>
20 If obligations are in the form of a lease or installment sale, check box . . . . .		<input type="checkbox"/>

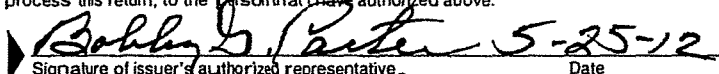
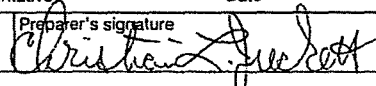
<b>Part III Description of Obligations. Complete for the entire issue for which this form is being filed.</b>					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	01/01/2038	\$ 2,940,066.35	\$ 2,935,000.00	13.956 years	3.7349 %

<b>Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)</b>					
22	Proceeds used for accrued interest . . . . .			22	0 00
23	Issue price of entire issue (enter amount from line 21, column (b)) . . . . .			23	2,940,066 35
24	Proceeds used for bond issuance costs (including underwriters' discount) . . . . .	24	98,335 85		
25	Proceeds used for credit enhancement . . . . .	25	0 00		
26	Proceeds allocated to reasonably required reserve or replacement fund . . . . .	26	0 00		
27	Proceeds used to currently refund prior issues . . . . .	27	2,838,059 26		
28	Proceeds used to advance refund prior issues . . . . .	28	0 00		
29	Total (add lines 24 through 28) . . . . .	29	2,936,395 11		
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) . . . . .	30	3,671 24		

<b>Part V Description of Refunded Bonds. Complete this part only for refunding bonds.</b>		
31	Enter the remaining weighted average maturity of the bonds to be currently refunded . . . . .	► See Schedule A years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded . . . . .	► years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) . . . . .	► 05/31/2012
34	Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)	See Schedule A

**Part VI Miscellaneous**

<p><b>35</b> Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . .</p> <p><b>36a</b> Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) . . . . .</p> <p style="margin-left: 20px;"><b>b</b> Enter the final maturity date of the GIC ▶ _____</p> <p style="margin-left: 20px;"><b>c</b> Enter the name of the GIC provider ▶ _____</p> <p><b>37</b> Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units . . . . .</p> <p><b>38a</b> If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input checked="" type="checkbox"/> and enter the following information:</p> <p style="margin-left: 20px;"><b>b</b> Enter the date of the master pool obligation ▶ <u>05/30/2012</u></p> <p style="margin-left: 20px;"><b>c</b> Enter the EIN of the issuer of the master pool obligation ▶ <u>61-1286160</u></p> <p style="margin-left: 20px;"><b>d</b> Enter the name of the issuer of the master pool obligation ▶ <u>Kentucky Rural Water Finance Corporation</u></p> <p><b>39</b> If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . . <input type="checkbox"/></p> <p><b>40</b> If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . . <input type="checkbox"/></p> <p><b>41a</b> If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:</p> <p style="margin-left: 20px;"><b>b</b> Name of hedge provider ▶ _____</p> <p style="margin-left: 20px;"><b>c</b> Type of hedge ▶ _____</p> <p style="margin-left: 20px;"><b>d</b> Term of hedge ▶ _____</p> <p><b>42</b> If the issuer has superintegrated the hedge, check box . . . . . <input type="checkbox"/></p> <p><b>43</b> If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . . <input type="checkbox"/></p> <p><b>44</b> If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . . <input type="checkbox"/></p> <p><b>45a</b> If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement . . . . . ▶ _____</p> <p style="margin-left: 20px;"><b>b</b> Enter the date the official intent was adopted ▶ _____</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;"><b>35</b></td> <td style="width: 50px; height: 20px;"></td> <td style="width: 50px; height: 20px;"></td> </tr> <tr> <td style="text-align: center;"><b>36a</b></td> <td style="height: 20px;"></td> <td style="height: 20px;"></td> </tr> <tr> <td style="text-align: center;"><b>37</b></td> <td style="height: 20px;"></td> <td style="height: 20px;"></td> </tr> </table>	<b>35</b>			<b>36a</b>			<b>37</b>		
<b>35</b>										
<b>36a</b>										
<b>37</b>										

<b>Signature and Consent</b>	<p>Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.</p>				
	 Signature of issuer's authorized representative	5-25-12 Date	Bobby Carter, Chairman Type or print name and title		
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Christian L. Juckett		5/30/12		P01391045
	Firm's name ▶ Rubin & Hays	Firm's EIN ▶ 31-1488290		Phone no. 502-569-7525	
	Firm's address ▶ 450 South Third Street, Louisville, Ky. 40202				

**SCHEDULE A**

**Form 8038-G Information Return for Tax-Exempt Governmental Obligations**

**Allen County Water District**

**61-0997995**

**Part V Description of Refunded Bonds. Complete this part only for refunding bonds.**

		<i>1989 Bonds</i>	<i>1993 Bonds</i>	<i>1997 Bonds</i>	<i>1999 Bonds</i>	
31	Enter the remaining weighted average maturity of the bonds to be currently refunded	9.759	12.387	15.164	15.667	years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	n/a	n/a	n/a	n/a	years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	05/31/2012	05/31/2012	05/31/2012	05/31/2012	
34	Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	03/13/1990	04/26/1994	10/16/1997	05/26/1999	

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Internal Revenue Service  
Ogden, Utah 84201**

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

**X**   Agent  
 Addressee

B. Received by (Printed Name)  Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type

Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number  
(Transfer from service label)

7011 0470 0001 9860 1928



Kennedy Home Trust Building 450 South Third Street, Louisville, Kentucky 40202-1410  
Telephone (502) 589-7573 Tele-fax (502) 589-7575 www.rubin-hays.com

JENNIFER M. BRIDY  
K. RANDALL FURFS  
CHRISTIANE J. TEBERT

June 1, 2012

**VIA CERTIFIED MAIL**  
**RETURN RECEIPT #7011 0470 0001 9860 1928**  
Internal Revenue Service Center  
Ogden, Utah 84201

Re: Loan in the amount of \$2,935,000, dated May 30, 2012, to the Allen County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

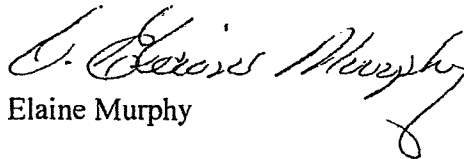
Ladies and Gentlemen:

Enclosed is Form 8038G, Information Return for Tax-Exempt Governmental Obligations, which we are requesting to be filed with the Internal Revenue Service for the above-referenced bond issue.

Very truly yours,

Rubin & Hays

By

  
O. Elaine Murphy

Enclosure

7011 0470 0001 9860 1928

**U.S. Postal Service™**  
**CERTIFIED MAIL™ RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information visit our website at [www.usps.com](http://www.usps.com)

NO POSTAGE  
NECESSARY  
IF MAILED  
IN THE  
UNITED STATES

Postage	\$ .45
Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	2.30
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	<b>\$ 5.55</b>

Postmark  
Here

Sent To **Internal Revenue Service**

Street, Apt. No.,  
or PO Box No.

City, State, ZIP+4  
**Ogden, Utah 84201**

PS Form 3800, August 2005 See Reverse for Instructions

UNITED STATES POSTAL SERVICE



First-Class Mail  
Postage & Fees Paid  
USPS  
Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

**Ms. O. Elaine Murphy**  
**Rubin & Hays**  
**Kentucky Home Trust Building**  
**450 South Third Street**  
**Louisville, Kentucky 40202**

ALLEN CO. WD - KRWF CFTP QGWD

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT  
OF THE RETURN ADDRESS. FOLD AT DOTTED LINE

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Internal Revenue Service  
Ogden, Utah 84201**

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

Agent

Addressee

B. Received by (*Printed Name*)

C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type

Certified Mail  Express Mail

Registered  Return Receipt for Merchandise

Insured Mail  C.O.D.

4. Restricted Delivery? (*Extra Fee*)

Yes

2. Article Number

(*Transfer from service label*)

7011 0470 0001 9860 1928

PS Form 3811, February 2004

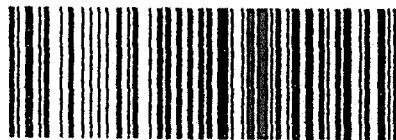
Domestic Return Receipt

102585-02-M-1540

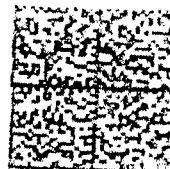
Rubin & Hays

Kentucky  
430 South Third Street  
Louisville, Kentucky 40202

**CERTIFIED MAIL™**



7011 0470 0001 9860 1928



neopost  
R042J80047920  
\$5.75  
08/06/12  
Mailed From 40202  
US POSTAGE

VIA CERTIFIED MAIL  
RETURN RECEIPT REQUESTED  
Internal Revenue Service Center  
Ogden, Utah 84201