

## Exhibit H

### Evidence of Indebtedness and Amortization Schedules

Included herewith are copies of resolutions, agreements and amortization schedules supporting Bath District's long-term debts upon which payments will be made in future periods. These debts include: 1) Series 2004 Bath County Water District Waterworks Revenue Bonds payable to the United States Department of Agriculture Rural Development ("RD"); 2) Series 2009 Bath County Water District Waterworks Revenue Bonds payable to RD; 3) Loan No. F16-011 payable to Kentucky Infrastructure Authority ("KIA"); and 4) Loan No. B22-003 payable to Kentucky Infrastructure Authority.

Note that the Amortization Schedule for Loan No. B22-003 inaccurately states the first payment due date as June 1, 2024. There has been no payment made on this loan. The anticipated due date for first payment is June 1, 2026. In response to Bath District's request for an updated amortization schedule showing the appropriate repayment dates, KIA provided the e-mail message included herewith stating that, although the dates on the existing schedule are not accurate, it is appropriate to use the repayment amounts shown on the schedule.

Ja 01124

**BATH COUNTY WATER DISTRICT**  
**BOND SERIES 2004**

**\$500,000.00**

**4.375%**

YEAR	PRINCIPAL	INTEREST JANUARY	INTEREST JULY	TOTAL	BALANCE \$500,000.00
2007	\$5,000.00	\$10,937.50	\$10,828.13	\$26,765.63	\$495,000.00
2008	\$5,500.00	\$10,828.13	\$10,707.81	\$27,035.94	\$489,500.00
2009	\$5,500.00	\$10,707.81	\$10,587.50	\$26,795.31	\$484,000.00
2010	\$6,000.00	\$10,587.50	\$10,456.25	\$27,043.75	\$478,000.00
2011	\$6,000.00	\$10,456.25	\$10,325.00	\$26,781.25	\$472,000.00
2012	\$6,500.00	\$10,325.00	\$10,182.81	\$27,007.81	\$465,500.00
2013	\$7,000.00	\$10,182.81	\$10,029.69	\$27,212.50	\$458,500.00
2014	\$7,000.00	\$10,029.69	\$9,876.56	\$26,906.25	\$451,500.00
2015	\$7,500.00	\$9,876.56	\$9,712.50	\$27,089.06	\$444,000.00
2016	\$7,500.00	\$9,712.50	\$9,548.44	\$26,760.94	\$436,500.00
2017	\$8,000.00	\$9,548.44	\$9,373.44	\$26,921.88	\$428,500.00
2018	\$8,500.00	\$9,373.44	\$9,187.50	\$27,060.94	\$420,000.00
2019	\$9,000.00	\$9,187.50	\$8,990.63	\$27,178.13	\$411,000.00
2020	\$9,000.00	\$8,990.63	\$8,793.75	\$26,784.38	\$402,000.00
2021	\$9,500.00	\$8,793.75	\$8,585.94	\$26,879.69	\$392,500.00
2022	\$10,000.00	\$8,585.94	\$8,367.19	\$26,953.13	\$382,500.00
2023	\$10,500.00	\$8,367.19	\$8,137.50	\$27,004.69	\$372,000.00
2024	\$11,000.00	\$8,137.50	\$7,896.88	\$27,034.38	\$361,000.00
2025	\$11,500.00	\$7,896.88	\$7,645.31	\$27,042.19	\$349,500.00
2026	\$12,000.00	\$7,645.31	\$7,382.81	\$27,028.13	\$337,500.00
2027	\$12,500.00	\$7,382.81	\$7,109.38	\$26,992.19	\$325,000.00
2028	\$13,000.00	\$7,109.38	\$6,825.00	\$26,934.38	\$312,000.00
2029	\$13,500.00	\$6,825.00	\$6,529.69	\$26,854.69	\$298,500.00
2030	\$14,500.00	\$6,529.69	\$6,212.50	\$27,242.19	\$284,000.00
2031	\$15,000.00	\$6,212.50	\$5,884.38	\$27,096.88	\$269,000.00
2032	\$15,500.00	\$5,884.38	\$5,545.31	\$26,929.69	\$253,500.00
2033	\$16,500.00	\$5,545.31	\$5,184.38	\$27,229.69	\$237,000.00
2034	\$17,000.00	\$5,184.38	\$4,812.50	\$26,996.88	\$220,000.00
2035	\$18,000.00	\$4,812.50	\$4,418.75	\$27,231.25	\$202,000.00
2036	\$18,500.00	\$4,418.75	\$4,014.06	\$26,932.81	\$183,500.00
2037	\$19,500.00	\$4,014.06	\$3,587.50	\$27,101.56	\$164,000.00
2038	\$20,500.00	\$3,587.50	\$3,139.06	\$27,226.56	\$143,500.00
2039	\$21,000.00	\$3,139.06	\$2,679.69	\$26,818.75	\$122,500.00
2040	\$22,000.00	\$2,679.69	\$2,198.44	\$26,878.13	\$100,500.00
2041	\$23,000.00	\$2,198.44	\$1,695.31	\$26,893.75	\$77,500.00
2042	\$24,000.00	\$1,695.31	\$1,170.31	\$26,865.63	\$53,500.00
2043	\$25,500.00	\$1,170.31	\$612.50	\$27,282.81	\$28,000.00
2044	\$28,000.00	\$612.50	\$0.00	\$28,612.50	\$0.00
	\$500,000.00	\$269,171.88	\$258,234.38	\$1,027,406.25	

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**BATH COUNTY WATER DISTRICT**  
**BOND SERIES 2009 \$259,000.00**

**LOAN 91-24**  
**RATE 2.375%**

YEAR	PRINCIPAL	INTEREST JANUARY	INTEREST JULY	TOTAL	BALANCE \$259,000.00
2010	\$0.00	\$0.00	\$2,629.03	\$2,629.03	\$259,000.00
2011	\$0.00	\$3,075.63	\$3,075.63	\$6,151.25	\$259,000.00
2012	\$4,000.00	\$3,075.63	\$3,028.13	\$10,103.75	\$255,000.00
2013	\$4,000.00	\$3,028.13	\$2,980.63	\$10,008.75	\$251,000.00
2014	\$4,000.00	\$2,980.63	\$2,933.13	\$9,913.75	\$247,000.00
2015	\$4,500.00	\$2,933.13	\$2,879.69	\$10,312.81	\$242,500.00
2016	\$4,500.00	\$2,879.69	\$2,826.25	\$10,205.94	\$238,000.00
2017	\$4,500.00	\$2,826.25	\$2,772.81	\$10,099.06	\$233,500.00
2018	\$4,500.00	\$2,772.81	\$2,719.38	\$9,992.19	\$229,000.00
2019	\$5,000.00	\$2,719.38	\$2,660.00	\$10,379.38	\$224,000.00
2020	\$5,000.00	\$2,660.00	\$2,600.63	\$10,260.63	\$219,000.00
2021	\$5,000.00	\$2,600.63	\$2,541.25	\$10,141.88	\$214,000.00
2022	\$5,000.00	\$2,541.25	\$2,481.88	\$10,023.13	\$209,000.00
2023	\$5,500.00	\$2,481.88	\$2,416.56	\$10,398.44	\$203,500.00
2024	\$5,500.00	\$2,416.56	\$2,351.25	\$10,267.81	\$198,000.00
2025	\$5,500.00	\$2,351.25	\$2,285.94	\$10,137.19	\$192,500.00
2026	\$6,000.00	\$2,285.94	\$2,214.69	\$10,500.63	\$186,500.00
2027	\$6,000.00	\$2,214.69	\$2,143.44	\$10,358.13	\$180,500.00
2028	\$6,000.00	\$2,143.44	\$2,072.19	\$10,215.63	\$174,500.00
2029	\$6,500.00	\$2,072.19	\$1,995.00	\$10,567.19	\$168,000.00
2030	\$6,500.00	\$1,995.00	\$1,917.81	\$10,412.81	\$161,500.00
2031	\$6,500.00	\$1,917.81	\$1,840.63	\$10,258.44	\$155,000.00
2032	\$7,000.00	\$1,840.63	\$1,757.50	\$10,598.13	\$148,000.00
2033	\$7,000.00	\$1,757.50	\$1,674.38	\$10,431.88	\$141,000.00
2034	\$7,000.00	\$1,674.38	\$1,591.25	\$10,265.63	\$134,000.00
2035	\$7,500.00	\$1,591.25	\$1,502.19	\$10,593.44	\$126,500.00
2036	\$7,500.00	\$1,502.19	\$1,413.13	\$10,415.31	\$119,000.00
2037	\$8,000.00	\$1,413.13	\$1,318.13	\$10,731.25	\$111,000.00
2038	\$8,000.00	\$1,318.13	\$1,223.13	\$10,541.25	\$103,000.00
2039	\$8,000.00	\$1,223.13	\$1,128.13	\$10,351.25	\$95,000.00
2040	\$8,500.00	\$1,128.13	\$1,027.19	\$10,655.31	\$86,500.00
2041	\$8,500.00	\$1,027.19	\$926.25	\$10,453.44	\$78,000.00
2042	\$9,000.00	\$926.25	\$819.38	\$10,745.63	\$69,000.00
2043	\$9,000.00	\$819.38	\$712.50	\$10,531.88	\$60,000.00
2044	\$9,500.00	\$712.50	\$599.69	\$10,812.19	\$50,500.00
2045	\$9,500.00	\$599.69	\$486.88	\$10,586.56	\$41,000.00
2046	\$10,000.00	\$486.88	\$368.13	\$10,855.00	\$31,000.00
2047	\$10,000.00	\$368.13	\$249.38	\$10,617.50	\$21,000.00
2049	\$10,500.00	\$249.38	\$124.69	\$10,874.06	\$10,500.00
2050	\$10,500.00	\$124.69	\$0.00	\$10,624.69	\$0.00
	\$259,000.00	\$72,360.31	\$72,163.09	\$382,523.41	

JA 011724

KENTUCKY INFRASTRUCTURE AUTHORITY  
REPAYMENT SCHEDULE  
LOAN #F16-011  
BATH COUNTY WATER DISTRICT  
FINAL

Original Loan Amount \$ 885,878.33  
Principal Forgiven \$ (221,470.00)  
Amount to be Amortized \$ 664,408.33

0.75% Rate  
\$17,926.17 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R. & M. Reserve	Total Reserve
12/01/17	\$15,136.87	\$2,470.65	0.75%	\$17,607.52	\$814.91	\$0.00	\$18,422.43	\$651,926.34	\$2,300.00	\$2,300.00
06/01/18	\$15,491.40	\$2,407.97	0.75%	\$17,899.37	\$811.59	\$0.00	\$18,710.96	\$633,780.06	\$0.00	\$2,300.00
12/01/18	\$15,549.50	\$2,376.67	0.75%	\$17,926.17	\$792.23	\$0.00	\$18,718.40	\$618,230.58	\$2,300.00	\$4,600.00
06/01/19	\$15,607.81	\$2,318.36	0.75%	\$17,926.17	\$772.78	\$0.00	\$18,698.95	\$602,622.75	\$0.00	\$4,600.00
12/01/19	\$15,666.33	\$2,259.84	0.75%	\$17,926.17	\$753.28	\$0.00	\$18,679.45	\$586,956.42	\$2,300.00	\$6,900.00
06/01/20	\$15,725.08	\$2,201.09	0.75%	\$17,926.17	\$733.69	\$0.00	\$18,659.86	\$571,231.34	\$0.00	\$6,900.00
12/01/20	\$15,784.06	\$2,142.11	0.75%	\$17,926.17	\$714.03	\$0.00	\$18,640.20	\$555,447.28	\$2,300.00	\$9,200.00
06/01/21	\$15,843.24	\$2,082.93	0.75%	\$17,926.17	\$694.31	\$0.00	\$18,620.48	\$539,604.04	\$0.00	\$9,200.00
12/01/21	\$15,902.66	\$2,023.52	0.75%	\$17,926.17	\$674.51	\$0.00	\$18,600.68	\$523,701.39	\$2,300.00	\$11,500.00
06/01/22	\$15,962.29	\$1,963.88	0.75%	\$17,926.17	\$654.62	\$0.00	\$18,580.79	\$507,739.10	\$0.00	\$11,500.00
12/01/22	\$16,022.15	\$1,904.02	0.75%	\$17,926.17	\$634.67	\$0.00	\$18,560.84	\$491,716.95	\$2,300.00	\$13,800.00
06/01/23	\$16,082.23	\$1,843.94	0.75%	\$17,926.17	\$614.64	\$0.00	\$18,540.81	\$475,634.72	\$0.00	\$13,800.00
12/01/23	\$16,142.54	\$1,783.63	0.75%	\$17,926.17	\$594.55	\$0.00	\$18,520.72	\$459,492.18	\$2,300.00	\$16,100.00
06/01/24	\$16,203.07	\$1,723.10	0.75%	\$17,926.17	\$574.37	\$0.00	\$18,500.54	\$443,289.11	\$0.00	\$16,100.00
12/01/24	\$16,263.84	\$1,662.33	0.75%	\$17,926.17	\$554.11	\$0.00	\$18,480.28	\$427,025.27	\$2,300.00	\$18,400.00
06/01/25	\$16,324.83	\$1,601.34	0.75%	\$17,926.17	\$533.78	\$0.00	\$18,459.95	\$410,700.44	\$0.00	\$18,400.00
12/01/25	\$16,386.05	\$1,540.12	0.75%	\$17,926.17	\$513.38	\$0.00	\$18,439.55	\$394,314.39	\$2,300.00	\$20,700.00
06/01/26	\$16,447.49	\$1,478.68	0.75%	\$17,926.17	\$492.89	\$0.00	\$18,419.06	\$377,866.90	\$0.00	\$20,700.00
12/01/26	\$16,509.17	\$1,417.00	0.75%	\$17,926.17	\$472.33	\$0.00	\$18,398.50	\$361,367.73	\$2,300.00	\$23,000.00
06/01/27	\$16,571.08	\$1,355.09	0.75%	\$17,926.17	\$451.69	\$0.00	\$18,377.86	\$344,786.65	\$0.00	\$23,000.00
12/01/27	\$16,633.22	\$1,292.95	0.75%	\$17,926.17	\$430.98	\$0.00	\$18,357.15	\$328,153.43	\$0.00	\$23,000.00
06/01/28	\$16,695.60	\$1,230.57	0.75%	\$17,926.17	\$410.19	\$0.00	\$18,336.36	\$311,457.63	\$0.00	\$23,000.00
12/01/28	\$16,758.20	\$1,167.97	0.75%	\$17,926.17	\$389.32	\$0.00	\$18,315.49	\$294,699.63	\$0.00	\$23,000.00
06/01/29	\$16,821.06	\$1,105.12	0.75%	\$17,926.17	\$368.37	\$0.00	\$18,294.54	\$277,878.58	\$0.00	\$23,000.00
12/01/29	\$16,884.12	\$1,042.05	0.75%	\$17,926.17	\$347.35	\$0.00	\$18,273.52	\$260,994.46	\$0.00	\$23,000.00
06/01/30	\$16,947.44	\$978.73	0.75%	\$17,926.17	\$326.24	\$0.00	\$18,252.41	\$244,047.02	\$0.00	\$23,000.00
12/01/30	\$17,010.99	\$915.18	0.75%	\$17,926.17	\$305.06	\$0.00	\$18,231.23	\$227,096.03	\$0.00	\$23,000.00
06/01/31	\$17,074.79	\$851.38	0.75%	\$17,926.17	\$283.78	\$0.00	\$18,209.96	\$209,961.24	\$0.00	\$23,000.00
12/01/31	\$17,138.82	\$787.35	0.75%	\$17,926.17	\$262.45	\$0.00	\$18,188.62	\$192,822.42	\$0.00	\$23,000.00
06/01/32	\$17,203.08	\$723.09	0.75%	\$17,926.17	\$241.03	\$0.00	\$18,167.20	\$175,619.34	\$0.00	\$23,000.00
12/01/32	\$17,267.60	\$658.57	0.75%	\$17,926.17	\$219.52	\$0.00	\$18,145.69	\$158,351.74	\$0.00	\$23,000.00
06/01/33	\$17,332.36	\$593.82	0.75%	\$17,926.17	\$197.94	\$0.00	\$18,124.11	\$141,019.39	\$0.00	\$23,000.00
12/01/33	\$17,397.35	\$528.82	0.75%	\$17,926.17	\$176.28	\$0.00	\$18,102.45	\$123,622.04	\$0.00	\$23,000.00
06/01/34	\$17,462.59	\$463.58	0.75%	\$17,926.17	\$154.53	\$0.00	\$18,080.70	\$106,159.45	\$0.00	\$23,000.00
12/01/34	\$17,528.07	\$398.10	0.75%	\$17,926.17	\$132.70	\$0.00	\$18,058.87	\$88,631.38	\$0.00	\$23,000.00
06/01/35	\$17,593.80	\$332.37	0.75%	\$17,926.17	\$110.79	\$0.00	\$18,036.96	\$71,037.58	\$0.00	\$23,000.00
12/01/35	\$17,659.78	\$266.39	0.75%	\$17,926.17	\$88.80	\$0.00	\$18,014.97	\$53,377.80	\$0.00	\$23,000.00
06/01/36	\$17,726.00	\$200.17	0.75%	\$17,926.17	\$66.72	\$0.00	\$17,992.89	\$35,651.80	\$0.00	\$23,000.00
12/01/36	\$17,792.48	\$133.69	0.75%	\$17,926.17	\$44.57	\$0.00	\$17,970.74	\$17,859.32	\$0.00	\$23,000.00
06/01/37	\$17,859.32	\$66.85	0.75%	\$17,926.17	\$22.33	\$0.00	\$17,948.50	\$0.00	\$0.00	\$23,000.00
<b>Totals</b>	<b>\$664,408.33</b>	<b>\$52,283.02</b>		<b>\$716,701.35</b>	<b>\$17,431.32</b>	<b>\$0.00</b>	<b>\$734,132.67</b>		<b>\$23,000.00</b>	

**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**ANTICIPATED REPAYMENT SCHEDULE**  
**LOAN #B22-003**  
**BATH COUNTY WATER DISTRICT**

<b>1.25% Interest</b> <b>\$18,146.22 P &amp; I Calculation</b>
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Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								\$640,469.00		
06/01/24	\$14,143.29	\$4,002.93	1.25%	\$18,146.22	\$640.47	\$0.00	\$18,786.69	\$626,325.71	\$0.00	\$0.00
12/01/24	\$14,231.68	\$3,914.54	1.25%	\$18,146.22	\$626.33	\$0.00	\$18,772.55	\$612,094.03	\$1,600.00	\$1,600.00
06/01/25	\$14,320.63	\$3,825.59	1.25%	\$18,146.22	\$612.09	\$0.00	\$18,758.31	\$597,773.40	\$0.00	\$1,600.00
12/01/25	\$14,410.14	\$3,736.08	1.25%	\$18,146.22	\$597.77	\$0.00	\$18,743.99	\$583,363.26	\$1,600.00	\$3,200.00
06/01/26	\$14,500.20	\$3,646.02	1.25%	\$18,146.22	\$583.36	\$0.00	\$18,729.58	\$568,863.06	\$0.00	\$3,200.00
12/01/26	\$14,590.83	\$3,555.39	1.25%	\$18,146.22	\$568.86	\$0.00	\$18,715.08	\$554,272.23	\$1,600.00	\$4,800.00
06/01/27	\$14,682.02	\$3,464.20	1.25%	\$18,146.22	\$554.27	\$0.00	\$18,700.49	\$539,590.21	\$0.00	\$4,800.00
12/01/27	\$14,773.78	\$3,372.44	1.25%	\$18,146.22	\$539.59	\$0.00	\$18,685.81	\$524,816.43	\$1,600.00	\$6,400.00
06/01/28	\$14,866.12	\$3,280.10	1.25%	\$18,146.22	\$524.82	\$0.00	\$18,671.04	\$509,950.31	\$0.00	\$6,400.00
12/01/28	\$14,959.03	\$3,187.19	1.25%	\$18,146.22	\$509.95	\$0.00	\$18,656.17	\$494,991.28	\$1,600.00	\$8,000.00
06/01/29	\$15,052.52	\$3,093.70	1.25%	\$18,146.22	\$494.99	\$0.00	\$18,641.21	\$479,938.76	\$0.00	\$8,000.00
12/01/29	\$15,146.60	\$2,999.62	1.25%	\$18,146.22	\$479.94	\$0.00	\$18,626.16	\$464,792.16	\$1,600.00	\$9,600.00
06/01/30	\$15,241.27	\$2,904.95	1.25%	\$18,146.22	\$464.79	\$0.00	\$18,611.01	\$449,550.89	\$0.00	\$9,600.00
12/01/30	\$15,336.53	\$2,809.69	1.25%	\$18,146.22	\$449.55	\$0.00	\$18,595.77	\$434,214.36	\$1,600.00	\$11,200.00
06/01/31	\$15,432.38	\$2,713.84	1.25%	\$18,146.22	\$434.21	\$0.00	\$18,580.43	\$418,781.98	\$0.00	\$11,200.00
12/01/31	\$15,528.83	\$2,617.39	1.25%	\$18,146.22	\$418.78	\$0.00	\$18,565.00	\$403,253.15	\$1,600.00	\$12,800.00
06/01/32	\$15,625.89	\$2,520.33	1.25%	\$18,146.22	\$403.25	\$0.00	\$18,549.47	\$387,627.26	\$0.00	\$12,800.00
12/01/32	\$15,723.55	\$2,422.67	1.25%	\$18,146.22	\$387.63	\$0.00	\$18,533.85	\$371,903.71	\$1,600.00	\$14,400.00
06/01/33	\$15,821.82	\$2,324.40	1.25%	\$18,146.22	\$371.90	\$0.00	\$18,518.12	\$356,081.89	\$0.00	\$14,400.00
12/01/33	\$15,920.71	\$2,225.51	1.25%	\$18,146.22	\$356.08	\$0.00	\$18,502.30	\$340,161.18	\$1,600.00	\$16,000.00
06/01/34	\$16,020.21	\$2,126.01	1.25%	\$18,146.22	\$340.16	\$0.00	\$18,486.38	\$324,140.97	\$0.00	\$16,000.00
12/01/34	\$16,120.34	\$2,025.88	1.25%	\$18,146.22	\$324.14	\$0.00	\$18,470.36	\$308,020.63	\$1,600.00	\$17,600.00
06/01/35	\$16,221.09	\$1,925.13	1.25%	\$18,146.22	\$308.02	\$0.00	\$18,454.24	\$291,799.54	\$0.00	\$17,600.00
12/01/35	\$16,322.47	\$1,823.75	1.25%	\$18,146.22	\$291.80	\$0.00	\$18,438.02	\$275,477.07	\$1,600.00	\$19,200.00
06/01/36	\$16,424.49	\$1,721.73	1.25%	\$18,146.22	\$275.48	\$0.00	\$18,421.70	\$259,052.58	\$0.00	\$19,200.00
12/01/36	\$16,527.14	\$1,619.08	1.25%	\$18,146.22	\$259.05	\$0.00	\$18,405.27	\$242,525.44	\$1,600.00	\$20,800.00
06/01/37	\$16,630.44	\$1,515.78	1.25%	\$18,146.22	\$242.53	\$0.00	\$18,388.75	\$225,895.00	\$0.00	\$20,800.00
12/01/37	\$16,734.38	\$1,411.84	1.25%	\$18,146.22	\$225.90	\$0.00	\$18,372.12	\$209,160.62	\$1,600.00	\$22,400.00
06/01/38	\$16,838.97	\$1,307.25	1.25%	\$18,146.22	\$209.16	\$0.00	\$18,355.38	\$192,321.65	\$0.00	\$22,400.00
12/01/38	\$16,944.21	\$1,202.01	1.25%	\$18,146.22	\$192.32	\$0.00	\$18,338.54	\$175,377.44	\$1,600.00	\$24,000.00
06/01/39	\$17,050.11	\$1,096.11	1.25%	\$18,146.22	\$175.38	\$0.00	\$18,321.60	\$158,327.33	\$0.00	\$24,000.00
12/01/39	\$17,156.67	\$989.55	1.25%	\$18,146.22	\$158.33	\$0.00	\$18,304.55	\$141,170.66	\$1,600.00	\$25,600.00
06/01/40	\$17,263.90	\$882.32	1.25%	\$18,146.22	\$141.17	\$0.00	\$18,287.39	\$123,906.76	\$0.00	\$25,600.00
12/01/40	\$17,371.80	\$774.42	1.25%	\$18,146.22	\$123.91	\$0.00	\$18,270.13	\$106,534.96	\$1,600.00	\$27,200.00
06/01/41	\$17,480.38	\$665.84	1.25%	\$18,146.22	\$106.53	\$0.00	\$18,252.75	\$89,054.58	\$0.00	\$27,200.00
12/01/41	\$17,589.63	\$556.59	1.25%	\$18,146.22	\$89.05	\$0.00	\$18,235.27	\$71,464.95	\$1,600.00	\$28,800.00
06/01/42	\$17,699.56	\$446.66	1.25%	\$18,146.22	\$71.46	\$0.00	\$18,217.68	\$53,765.39	\$0.00	\$28,800.00
12/01/42	\$17,810.19	\$336.03	1.25%	\$18,146.22	\$53.77	\$0.00	\$18,199.99	\$35,955.20	\$1,600.00	\$30,400.00
06/01/43	\$17,921.50	\$224.72	1.25%	\$18,146.22	\$35.96	\$0.00	\$18,182.18	\$18,033.70	\$0.00	\$30,400.00
12/01/43	\$18,033.70	\$112.52	1.25%	\$18,146.22	\$18.03	\$0.00	\$18,164.25	\$0.00	\$1,600.00	\$32,000.00
<b>Totals</b>	<b>\$640,469.00</b>	<b>\$85,379.80</b>		<b>\$725,848.80</b>	<b>\$13,660.78</b>	<b>\$0.00</b>	<b>\$739,509.58</b>		<b>\$32,000.00</b>	

## Hamm, Benjamin (GWADD)

---

**From:** Nelson, James (KIA)  
**Sent:** Friday, November 15, 2024 3:41 PM  
**To:** Brown, Ethan S (GWADD)  
**Cc:** Hamm, Benjamin (GWADD)  
**Subject:** RE: Bath County Water District  
**Attachments:** Bath Co WD B22-003 Amort Sch.pdf; Bath\_F16-011.pdf

**\*\*CAUTION\*\* PDF attachments may contain links to malicious sites. Please contact the COT Service Desk [ServiceCorrespondence@ky.gov](mailto:ServiceCorrespondence@ky.gov) for any assistance.**

I've attached the anticipated amortization schedule for B22-003 we included with their assistance agreement. The payment due dates don't matter, they can just use the amounts. I've also attached their final amortization schedule for loan F16-011. Let me know if you need anything else.

---

**From:** Brown, Ethan S (GWADD) <EthanS.Brown@ky.gov>  
**Sent:** Friday, November 15, 2024 3:29 PM  
**To:** Nelson, James (KIA) <james.nelson@ky.gov>  
**Cc:** Hamm, Benjamin (GWADD) <Benjamin.Hamm@ky.gov>  
**Subject:** Bath County Water District

Good evening,

Bath County Water District has reached out to me in regards of their next year budget. They were wondering what their payments will be like in 2025, and if they close out the loan what will their principle interest payment be?

Thanks for your assistance!

Best,



### Ethan Brown

Infrastructure Development Planner  
Gateway Area Development District  
110 Lake Park Drive | Morehead, Kentucky 40351

**e.** [ethans.brown@ky.gov](mailto:ethans.brown@ky.gov) | **w.** [gwadd.org](http://gwadd.org)  
**t.** 606.780.0090 ext. 2202 | **f.** 606.780.0111

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BOND RESOLUTION

BATH COUNTY WATER DISTRICT

AUTHORIZING

BATH COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2004

IN THE AMOUNT OF

\$500,000

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## **BOND RESOLUTION**

**RESOLUTION OF THE BATH COUNTY WATER DISTRICT OF BATH, MENIFEE AND MONTGOMERY COUNTIES, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$500,000 PRINCIPAL AMOUNT OF BATH COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2004 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.**

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

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$500,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Mayes, Sudderth & Etheredge, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

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

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

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

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

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$1,753,000, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE BATH COUNTY WATER DISTRICT OF BATH, MENIFEE AND MONTGOMERY COUNTIES, KENTUCKY, AS FOLLOWS:

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

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

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

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

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

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

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

*"Bonds of 1970" or "Series 1970 Bonds"* refer to the outstanding Bath County Water District Water System Revenue Bonds, Series of 1970, dated January 1, 1970, in the original authorized principal amount of \$235,000.

*"Bonds of 1977" or "Series 1977 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1977, dated August 23, 1978, in the original authorized principal amount of \$130,000.

*"Bonds of 1982" or "Series 1982 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1982, dated September 2, 1982, in the original authorized principal amount of \$106,000.

*"Bonds of 1988" or "Series 1988 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1988, dated February 14, 1989, in the original authorized principal amount of \$375,000.

*"Bonds of 1989" or "Series 1989 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1989, dated May 26, 1989, in the original authorized principal amount of \$138,000.

*"Bonds of 1991" or "Series 1991 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1991, dated November 25, 1992 in the original authorized principal amount of \$103,000.

*"Bonds of 1994" or "Series 1994 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds, Series 1994, dated October 20, 1994, in the original authorized principal amount of \$280,000.

*"Bonds of 1998" or "Series 1998 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds, Series 1998, dated January 22, 1999, in the original authorized principal amount of \$200,000.

*"Bond Resolution of 1970" or "1970 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1970, duly adopted by the Board of Commissioners of the District on January 12, 1970.

*"Bond Resolution of 1977" or "1977 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1977, duly adopted by the Board of Commissioners of the District on September 21, 1977.

*"Bond Resolution of 1982" or "1982 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1982, duly adopted by the Board of Commissioners of the District on April 5, 1982.

*"Bond Resolution of 1988" or "1988 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1988, duly adopted by the Board of Commissioners of the District on April 13, 1988.

*"Bond Resolution of 1989" or "1989 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1989, duly adopted by the Board of Commissioners of the District on May 10, 1989.

*"Bond Resolution of 1991" or "1991 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1991, duly adopted by the Board of Commissioners of the District on April 14, 1992.

*"Bond Resolution of 1994" or "1994 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1994, duly adopted by the Board of Commissioners of the District on August 12, 1994.

*"Bond Resolution of 1998" or "1998 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1998, duly adopted by the Board of Commissioners of the District on September 10, 1998.

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

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

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

*"Construction Account"* refers to the Bath County Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

*"Current Bonds"* refers to the \$500,000 of Bath County Water District Waterworks Revenue Bonds, Series 2004 authorized by this Resolution, to be dated as of the date of issuance thereof.

*"Depository Bank"* refers to the bank, which shall be a member of the FDIC, which bank is Salt Lick Deposit Bank, Owingsville, Kentucky, or its successor.

*"Depreciation Fund"* refers to the Bath County Water District Waterworks Depreciation Fund, described in Section 402 of this Resolution.

*"District"* refers to the Bath County Water District of Bath, Menifee and Montgomery Counties, Kentucky.

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

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

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

*"First Lien Sinking Fund"* refers to the Bath County Water District Revenue Bond and Interest Fund, created in the 1970 Bond Resolution.

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

*"Funds"* refers to the Construction Account, the Revenue Fund, the First Lien Sinking Fund, the Second Lien Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

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

*"Grant Proceeds"* refers to the proceeds of the RD Grant and the Kentucky State 2020 Grant.

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

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

*"Local Counsel"* refers to Hughes & Williamson, P.S.C., Owingsville, Kentucky, or any other attorney or firm of attorneys designated by the District.

*"Multiple Advances"* refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

*"Note"* refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

*"Operation and Maintenance Fund"* refers to the Bath County Water District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

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

*"Parity Bonds"* refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

*"Prior Bonds"* refers collectively to the Series 1970 Bonds, the Series 1977 Bonds, the Series 1982 Bonds, the Series 1988 Bonds, the Series 1989 Bonds, the Series 1991 Bonds, the Series 1994 Bonds and the Series 1998 Bonds.

*"Prior Bond Resolution"* refers collectively to the 1970 Bond Resolution, the 1977 Bond Resolution, the 1982 Bond Resolution, the 1988 Bond Resolution, the 1989 Bond Resolution, the 1991 Bond Resolution, the 1994 Bond Resolution and the 1998 Bond Resolution.



*"Prior First Lien Bonds"* refers collectively to the Series 1970 Bonds and the Series 1977 Bonds.

*"Prior First Lien Bond Resolution"* refers collectively to the 1970 Bond Resolution and the 1977 Bond Resolution.

*"Prior Second Lien Bonds"* refers collectively to the Series 1982 Bonds, the Series 1988 Bonds, the Series 1989 Bonds, the Series 1991 Bonds, the Series 1994 Bonds and the Series 1998 Bonds.

*"Prior Second Lien Bond Resolution"* refers collectively to the 1982 Bond Resolution, the 1988 Bond Resolution, the 1989 Bond Resolution, the 1991 Bond Resolution, the 1994 Bond Resolution and the 1998 Bond Resolution.

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

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

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

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

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

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

*"Second Lien Sinking Fund"* refers to the Bath County Water District Sinking Fund, created in the 1982 Bond Resolution.

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

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

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

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

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

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

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

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

**Section 105. Authorization of Bonds.** The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$2,253,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$500,000 of Current Bonds, based on the following calculation:

Total cost of Project \$2,253,000

Less:

RD Grant	\$ 453,000
Kentucky State 2020 Grant	<u>1,300,000</u>

Total Non-Bond Funds: (1,753,000)

Balance to be financed by Current Bonds \$500,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$500,000 principal amount of Bath County Water District Waterworks Revenue Bonds, Series 2004.

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

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

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

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

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

## **ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.**

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

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

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

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

**Section 204. Provisions as to Prepayment.** Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2014, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2014, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2013, at par plus accrued interest, without any prepayment penalty.

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

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

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

**Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits.** The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$104,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$104,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

**A. Covenants Applicable if RD Purchases Current Bonds.** It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

**B. Application of Proceeds of Current Bonds.** The proceeds of the Current Bonds shall be applied as follows:

**(1) Payment of Interim Financing, Costs of Project and Costs of Issuance.** Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

**(2) Construction Account.** If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Bath County Water District Waterworks Construction Account" hereby

created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

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

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

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

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

**(4) Transfer of Capitalized Interest to Second Lien Sinking Fund.** There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$44,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Second Lien Sinking Fund.

**(5) Investment of Funds in Construction Account.** Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project

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

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

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

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

### **Section 302. Interim Financing Authorization.**

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

The borrowing of up to the aggregate sum of \$500,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$500,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$500,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.



Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

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

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

**Section 303. Arbitrage Limitations on Investment of Proceeds.** The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

#### **ARTICLE 4. FLOW OF FUNDS.**

**Section 401. Funds.** There was heretofore created in the Prior Bond Resolution the following funds and accounts:

- (a) Bath County Water District Waterworks Revenue Fund
- (b) Bath County Water District Waterworks First Lien Sinking Fund
- (c) Bath County Water District Waterworks Second Lien Sinking Fund
- (c) Bath County Water District Waterworks Depreciation Fund
- (d) Bath County Water District Waterworks Operation and Maintenance Fund

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

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

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

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

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

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

**C. Second Lien Sinking Fund.** At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Second Lien Sinking Fund an amount sufficient (currently estimated at \$44,000) to provide for capitalized interest during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

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

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

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

**D. Depreciation Fund.** It is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$235.00 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$28,200, which amount shall be maintained, and when necessary, restored to said sum of \$28,200, so long as any of the Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

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

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

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

**F. Monthly Principal and Interest Payments if Requested by the RD.** So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

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

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

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

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

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

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

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

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

The holder of this Bond has consented to the issuance of \$500,000 of Bath County Water District Waterworks Revenue Bonds, Series 2004 ranking on a parity as to security and source of payment with this Bond.

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

## **ARTICLE 5. COVENANTS OF DISTRICT**

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

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

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

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

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

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

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

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

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

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

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

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;



- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;
- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

**Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds.** So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

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

## **ARTICLE 6. INFERIOR BONDS AND PARITY BONDS**

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

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

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

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

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

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more

additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

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

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

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

- (a) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the average annual debt service requirements of the Parity Bonds;
- (b) Adjust the minimum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Depreciation Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and
- (c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

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

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

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

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;

- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;
- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

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

## **ARTICLE 7. DEFAULT AND CONSEQUENCES**

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

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

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

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

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

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

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

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

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

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating

the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

**Section 804. Approval and Acceptance of RD Grant Agreement.** The RD has agreed to make a grant to the District in the amount of \$453,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

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

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

**Section 806. Authorization of Condemnation to Acquire Easements and/or Sites.** In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion



of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

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

## ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

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

to be filed with the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.


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

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

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

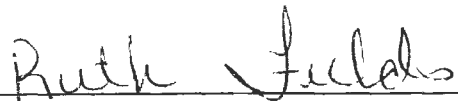
Adopted this April 27, 2004.

BATH COUNTY WATER DISTRICT

  
Chairman

(Seal of District)

Attest:

  
Secretary

## ARTICLE 10. CONCLUDING PROVISIONS

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

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

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

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


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

## CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Bath County Water District of Bath, Menifee and Montgomery Counties, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on April 27, 2004, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this April 27, 2004.

  
Secretary

(Seal of District)

## EXHIBIT A

### Schedule of Principal Payments

<u>Payment Due</u> <u>January 1</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1</u>	<u>Principal</u> <u>Payment</u>
2007	5,000	2026	12,000
2008	5,500	2027	12,500
2009	5,500	2028	13,000
2010	6,000	2029	13,500
2011	6,000	2030	14,500
2012	6,500	2031	15,000
2013	7,000	2032	15,500
2014	7,000	2033	16,500
2015	7,500	2034	17,000
2016	7,500	2035	18,000
2017	8,000	2036	18,500
2018	8,500	2037	19,500
2019	9,000	2038	20,500
2020	9,000	2039	21,000
2021	9,500	2040	22,000
2022	10,000	2041	23,000
2023	10,500	2042	24,000
2024	11,000	2043	25,500
2025	11,500	2044	28,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
BATH, MENIFEE AND MONTGOMERY COUNTIES  
BATH COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2004

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

KNOW ALL PERSONS BY THESE PRESENTS:

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

\_\_\_\_\_

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

\_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_ ),

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

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

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

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

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised

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

This Bond is issued on a parity as to security and source of payment with the outstanding (i) Bath County Water District Waterworks Revenue Bonds of 1982, dated September 2, 1982 (the "1982 Bonds"), authorized by a Resolution adopted by the Commission of the District on April 5, 1982 (the "1982 Bond Resolution"); (ii) Bath County Water District Waterworks Revenue Bonds of 1988, dated February 14, 1989 (the "1988 Bonds"), authorized by a Resolution adopted by the Commission of the District on April 13, 1988 (the "1988 Bond Resolution"); (iii) Bath County Water District Waterworks Revenue Bonds of 1989, dated May 26, 1989 (the "1989 Bonds"), authorized by a Resolution adopted by the Commission of the District on May 10, 1989 (the "1989 Bond Resolution"); (iv) Bath County Water District Waterworks Revenue Bonds of 1991, dated November 25, 1992 (the "1991 Bonds"), authorized by a Resolution adopted by the Commission of the District on April 14, 1992 (the "1991 Bond Resolution"); (v) Bath County Water District Waterworks Revenue Bonds, Series 1994, dated October 20, 1994 (the "1994 Bonds"), authorized by a Resolution adopted by the Commission of the District on August 12, 1994 (the "1994 Bond Resolution"); and (vi) Bath County Water District Waterworks Revenue Bonds, Series 1998, dated January 22, 1999 (the "1998 Bonds"), authorized by a Resolution adopted by the Commission of the District on September 10, 1998 (the "1998 Bond Resolution") [hereinafter the 1982 Bonds, 1988 Bonds, the 1989 Bonds, the 1991 Bonds, the 1994 Bonds and the 1998 Bonds shall be collectively referred to as the "Prior Second Lien Bonds", and the 1982 Bond Resolution, the 1988 Bond Resolution, 1989 Bond Resolution, the 1991 Bond Resolution, the 1994 Bond Resolution and the 1998 Bond Resolution shall be collectively referred to as the "Prior Second Lien Bond Resolution"], but subject to the vested rights and priorities in favor of the owners of the outstanding (i) Bath County Water District Water System Revenue Bonds, Series of 1970, dated January 1, 1970 (the "1970 Bonds"), authorized by a Resolution adopted by the Commission of the District on January 12, 1970 (the "1970 Bond Resolution"); and (ii) Bath County Water District Waterworks Revenue Bonds of 1977, dated August 23, 1978 (the "1977 Bonds"), authorized by a Resolution adopted by the Commission of the District on September 21, 1977 (the "1977 Bond Resolution") [hereinafter the 1970 Bonds and the 1977 Bonds shall be collectively referred to as the "Prior First Lien Bonds" and the 1970 Bond Resolution and the 1977 Bond Resolution shall be collectively referred to as the "Prior First Lien Bond Resolution"]. Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured by a pledge of the net revenues to be derived from the operation of the System, after providing for the requirements of the Prior First Lien Bonds and the requirements of the Prior First Lien Bond Resolution.



This Bond has been issued in full compliance with the Current Bond Resolution and the Prior Second Lien Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Second Lien Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Bath County Water District Waterworks Sinking Fund", created in the 1982 Bond Resolution.

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

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2014, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

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

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

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

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

BATH COUNTY WATER DISTRICT  
Bath, Menifee and Montgomery Counties,  
Kentucky

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

Attest:

\_\_\_\_\_  
Secretary

(Seal of District)

#### PROVISION FOR REGISTRATION

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

## ASSIGNMENT

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

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

\_\_\_\_\_

By: \_\_\_\_\_

EXHIBIT C

REQUISITION CERTIFICATE

Re: Bath County Water District Waterworks Revenue Bonds, Series 2004, in the principal amount of \$500,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Bath County Water District (the "District") of Bath, Menifee and Montgomery Counties, Kentucky.

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

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

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

BATH COUNTY WATER DISTRICT

MAYES, SUDDERTH & ETHEREDGE, INC.

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

By \_\_\_\_\_  
Registered Professional Engineer  
State of Kentucky No. \_\_\_\_\_

Approved on \_\_\_\_\_

Approved on \_\_\_\_\_

Rural Development

Amount expended heretofore \$ \_\_\_\_\_

By \_\_\_\_\_  
Authorized RD Official

Amount approved herein \_\_\_\_\_

Total \_\_\_\_\_

Approved on \_\_\_\_\_

## EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

BOND RESOLUTION

BATH COUNTY WATER DISTRICT

AUTHORIZING

BATH COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2009

IN THE PRINCIPAL AMOUNT OF

\$259,000

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## **BOND RESOLUTION**

**RESOLUTION OF THE BATH COUNTY WATER DISTRICT OF BATH, MENIFEE AND MONTGOMERY COUNTIES, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$259,000 PRINCIPAL AMOUNT OF BATH COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2009 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.**

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

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

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

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$259,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by O'Brien & Gere, Engineers and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued on a parity basis with the Prior Bonds, and

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

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

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

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE BATH COUNTY WATER DISTRICT OF BATH, MENIFEE AND MONTGOMERY COUNTIES, KENTUCKY, AS FOLLOWS:

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

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

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

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

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

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

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

*"Bonds of 1977" or "Series 1977 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1977, dated August 23, 1978, in the original authorized principal amount of \$130,000.

*"Bonds of 1982" or "Series 1982 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1982, dated September 2, 1982, in the original authorized principal amount of \$106,000.

*"Bonds of 1988" or "Series 1988 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1988, dated February 14, 1989, in the original authorized principal amount of \$375,000.

*"Bonds of 1989" or "Series 1989 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1989, dated May 26, 1989, in the original authorized principal amount of \$138,000.

*"Bonds of 1991" or "Series 1991 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds of 1991, dated November 25, 1992 in the original authorized principal amount of \$103,000.

*"Bonds of 1994" or "Series 1994 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds, Series 1994, dated October 20, 1994, in the original authorized principal amount of \$280,000.

*"Bonds of 1998" or "Series 1998 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds, Series 1998, dated January 22, 1999, in the original authorized principal amount of \$200,000.

*"Bonds of 2004" or "Series 2004 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds, Series 2004, dated June 29, 2004, in the original authorized principal amount of \$500,000.

*"Bonds of 2006" or "Series 2006 Bonds"* refer to the outstanding Bath County Water District Waterworks Revenue Bonds, Series 2006, dated January 24, 2007, in the original authorized principal amount of \$1,039,000.

*"Bond Resolution of 1977" or "1977 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1977, duly adopted by the Board of Commissioners of the District on September 21, 1977.

*"Bond Resolution of 1982" or "1982 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1982, duly adopted by the Board of Commissioners of the District on April 5, 1982.

*"Bond Resolution of 1988" or "1988 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1988, duly adopted by the Board of Commissioners of the District on April 13, 1988.

*"Bond Resolution of 1989" or "1989 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1989, duly adopted by the Board of Commissioners of the District on May 10, 1989.

*"Bond Resolution of 1991" or "1991 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1991, duly adopted by the Board of Commissioners of the District on April 14, 1992.

*"Bond Resolution of 1994" or "1994 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1994, duly adopted by the Board of Commissioners of the District on August 12, 1994.

*"Bond Resolution of 1998" or "1998 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1998, duly adopted by the Board of Commissioners of the District on September 10, 1998.

*"Bond Resolution of 2004" or "2004 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2004, duly adopted by the Board of Commissioners of the District on April 27, 2004.

*"Bond Resolution of 2006" or "2006 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2006, duly adopted by the Board of Commissioners of the District on May 23, 2006.

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

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

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

*"Construction Account"* refers to the Bath County Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

*"Current Bonds"* refers to the \$259,000 of Bath County Water District Waterworks Revenue Bonds, Series 2009 authorized by this Resolution, to be dated as of the date of issuance thereof.

*"Depository Bank"* refers to the bank, which shall be a member of the FDIC, which bank is Salt Lick Deposit Bank, Owingsville, Kentucky, or its successor.

*"Depreciation Fund"* refers to the Bath County Water District Waterworks Depreciation Fund, described in Section 402 of this Resolution.

*"District"* refers to the Bath County Water District of Bath, Menifee and Montgomery Counties, Kentucky.

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

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

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

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

*"Funds"* refers to the Construction Account, the Revenue Fund, the Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

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

*"Grant Proceeds"* refers to the proceeds of the RD Grant and the KIA Grant.

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

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

*"KIA Grant"* refers to the grant from the Kentucky Infrastructure Authority to the District in the amount of \$250,000.

*"Local Counsel"* refers to Campbell, Rogers & Hill, Morehead, Kentucky, or any other attorney or firm of attorneys designated by the District.

*"Multiple Advances"* refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

*"Note"* refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

*"Operation and Maintenance Fund"* refers to the Bath County Water District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

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

*"Parity Bonds"* refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

*"Prior Bonds"* refers collectively to the Series 1977 Bonds, the Series 1982 Bonds, the Series 1988 Bonds, the Series 1989 Bonds, the Series 1991 Bonds, the Series 1994 Bonds, the Series 1998 Bonds, the Series 2004 Bonds and the Series 2006 Bonds.

*"Prior Bond Resolution"* refers collectively to the 1977 Bond Resolution, the 1982 Bond Resolution, the 1988 Bond Resolution, the 1989 Bond Resolution, the 1991 Bond Resolution, the 1994 Bond Resolution, the 1998 Bond Resolution, the 2004 Bond Resolution and the 2006 Bond Resolution.

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

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

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

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

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

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

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

*"Sinking Fund"* refers to the Bath County Water District Sinking Fund, described in this Current Bond Resolution.

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

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



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

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

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

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

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

**Section 105. Authorization of Bonds.** The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$621,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$259,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$621,000
Less:		
RD Grant	\$112,000	
KIA Grant	250,000	
Total Non-Bond Funds:		<u>(362,900)</u>
Balance to be financed by Current Bonds		\$259,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$259,000 principal amount of Bath County Water District Waterworks Revenue Bonds, Series 2009.

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

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

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

**Section 107. Current Bonds Shall be Payable Out of Revenues.** The Current Bonds, and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable on a parity with the Prior Bonds out of the revenues of the System.

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

## **ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.**

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

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

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

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

**Section 204. Provisions as to Prepayment.** Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2020, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2020, shall be subject to prepayment by the District on any interest payment date falling on and after January 1, 2019, at par plus accrued interest, without any prepayment penalty.

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

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

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

**Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits.** The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$170,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$170,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

**A. Covenants Applicable if RD Purchases Current Bonds.** It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

**B. Application of Proceeds of Current Bonds.** The proceeds of the Current Bonds shall be applied as follows:

**(1) Payment of Interim Financing, Costs of Project and Costs of Issuance.** Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

**(2) Construction Account.** If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Bath County Water District Waterworks Construction Account" hereby

created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

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

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

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

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

**(4) Transfer of Capitalized Interest to Sinking Fund.** There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$10,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

**(5) Investment of Funds in Construction Account.** Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Project

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

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

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

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

**Section 302. Interim Financing Authorization.**

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

The borrowing of up to the aggregate sum of \$259,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$259,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$259,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim financing, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

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

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds.



The District further pledges the revenues of the System to the repayment of said Multiple Advances, subject to the vested rights and priorities of the pledges securing the Outstanding Bonds.

**Section 303. Arbitrage Limitations on Investment of Proceeds.** The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

#### ARTICLE 4. FLOW OF FUNDS.

**Section 401. Funds.** There was heretofore created in the Prior Bond Resolution the following funds and accounts:

- (a) Bath County Water District Waterworks Revenue Fund
- (b) Bath County Water District Waterworks Sinking Fund
- (c) Bath County Water District Waterworks Depreciation Fund
- (d) Bath County Water District Waterworks Operation and Maintenance Fund

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

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

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

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

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

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

**C. Depreciation Fund.** It is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by the RD, there shall next be transferred from the Revenue Fund the sum of at least \$95.00 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$11,400, which amount shall be maintained, and when necessary, restored to said sum of \$11,400, so long as any of the Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

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

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

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

**E. Monthly Principal and Interest Payments if Requested by the RD.** So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD, make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

**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 Resolution or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

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

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

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

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

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

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

Current Bonds so as to rank on a parity with the Prior Bonds, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$259,000 of Bath County Water District Waterworks Revenue Bonds, Series 2009 ranking on a parity as to security and source of payment with this Bond.

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

## **ARTICLE 5. COVENANTS OF DISTRICT**

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

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

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

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

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

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

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

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

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

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

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

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;
- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

**Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds.** So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

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



## **ARTICLE 6. INFERIOR BONDS AND PARITY BONDS**

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

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

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

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

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

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more

additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

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

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

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

- (a) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the average annual debt service requirements of the Parity Bonds;
- (b) Adjust the minimum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Depreciation Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and
- (c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

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

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

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

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;

- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;
- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

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

## **ARTICLE 7. DEFAULT AND CONSEQUENCES**

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

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

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

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

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

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

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

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

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

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating

the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

**Section 804. Approval and Acceptance of RD Grant Agreement.** The RD has agreed to make a grant to the District in the amount of \$112,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

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

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

**Section 806. Authorization of Condemnation to Acquire Easements and/or Sites.** In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion

of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

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



## **ARTICLE 9. SALE OF CURRENT BONDS**

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

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

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

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

## ARTICLE 10. CONCLUDING PROVISIONS

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

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

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

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

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

to be filed with the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

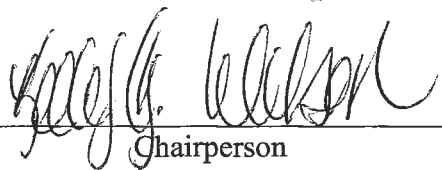
**Section 1002. Severability Clause.** If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

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

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

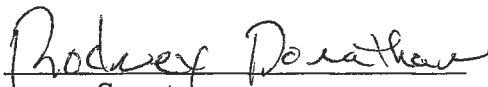
Adopted this August 24, 2009.

BATH COUNTY WATER DISTRICT

  
Chairperson

(Seal of District)

Attest:

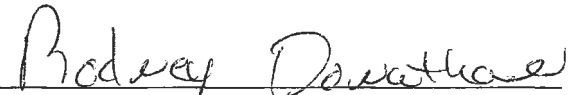
  
Secretary

### CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Bath County Water District, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairperson of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on August 24, 2009, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this August 24, 2009.

  
Secretary

(Seal of District)

## EXHIBIT A

### Schedule of Principal Payments

<u>Payment Due</u> <u>January 1</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1</u>	<u>Principal</u> <u>Payment</u>
2012	\$4,000	2031	\$6,500
2013	4,000	2032	7,000
2014	4,000	2033	7,000
2015	4,500	2034	7,000
2016	4,500	2035	7,500
2017	4,500	2036	7,500
2018	4,500	2037	8,000
2019	5,000	2038	8,000
2020	5,000	2039	8,000
2021	5,000	2040	8,500
2022	5,000	2041	8,500
2023	5,500	2042	9,000
2024	5,500	2043	9,000
2025	5,500	2044	9,500
2026	6,000	2045	9,500
2027	6,000	2046	10,000
2028	6,000	2047	10,000
2029	6,500	2048	10,500
2030	6,500	2049	10,500

**EXHIBIT B**

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
BATH, MENIFEE AND MONTGOMERY COUNTIES  
BATH COUNTY WATER DISTRICT  
WATERWORKS REVENUE BONDS, SERIES 2009

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

KNOW ALL PERSONS BY THESE PRESENTS:

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

\_\_\_\_\_

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

\_\_\_\_\_ DOLLARS (\$\_\_\_\_\_ ),

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

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

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

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

This Bond is issued on a parity as to security and source of payment with the outstanding (i) Bath County Water District Waterworks Revenue Bonds of 1977, dated August 23, 1978 (the "1977 Bonds"), authorized by a Resolution adopted by the Commission of the District on September 21, 1977 (the "1977 Bond Resolution"); (ii) Bath County Water District Waterworks Revenue Bonds of 1982, dated September 2, 1982 (the "1982 Bonds"), authorized by a Resolution adopted by the Commission of the District on April 5, 1982 (the "1982 Bond Resolution"); (iii) Bath County Water District Waterworks Revenue Bonds of 1988, dated February 14, 1989 (the "1988 Bonds"), authorized by a Resolution adopted by the Commission of the District on April 13, 1988 (the "1988 Bond Resolution"); (iv) Bath County Water District Waterworks Revenue Bonds of 1989, dated May 26, 1989 (the "1989 Bonds"), authorized by a Resolution adopted by the Commission of the District on May 10, 1989 (the "1989 Bond Resolution"); (v) Bath County Water District Waterworks Revenue Bonds of 1991, dated November 25, 1992 (the "1991 Bonds"), authorized by a Resolution adopted by the Commission of the District on April 14, 1992 (the "1991 Bond Resolution"); (vi) Bath County Water District Waterworks Revenue Bonds, Series 1994, dated October 20, 1994 (the "1994 Bonds"), authorized by a Resolution adopted by the Commission of the District on August 12, 1994 (the "1994 Bond Resolution"); (vii) Bath County Water District Waterworks Revenue Bonds, Series 1998, dated January 22, 1999 (the "1998 Bonds"), authorized by a Resolution adopted by the Commission of the District on September 10, 1998 (the "1998 Bond Resolution"); (viii) Bath County Water District Waterworks Revenue Bonds, Series 2004, dated June 29, 2004 (the "2004 Bonds"), authorized by a Resolution adopted by the Commission of the District on April 27, 2004 (the "2004 Bond Resolution"); and (ix) Bath County Water District Waterworks Revenue Bonds, Series 2006, dated January 24, 2007 (the "2006 Bonds"), authorized by a Resolution adopted by the Commission of the District on May 23, 2006 (the "2006 Bond Resolution") [hereinafter the 1977 Bonds, the 1982 Bonds, 1988 Bonds, the 1989 Bonds, the 1991 Bonds, the 1994 Bonds, the 1998 Bonds, the 2004 Bonds and the 2006 Bonds shall be collectively referred to as the "Prior Bonds", and the 1977 Bond Resolution, the 1982 Bond Resolution, the 1988 Bond Resolution, 1989 Bond Resolution, the 1991 Bond Resolution, the 1994 Bond Resolution, the 1998 Bond Resolution, the 2004 Bond Resolution and the 2006 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"]. Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured by a pledge of the revenues to be derived from the operation of the System.

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

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

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2019, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

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



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

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

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

BATH COUNTY WATER DISTRICT  
Bath, Menifee and Montgomery Counties,  
Kentucky

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

Attest:

\_\_\_\_\_  
Secretary

(Seal of District)

### PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

### ASSIGNMENT

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

\_\_\_\_\_

By: \_\_\_\_\_

## EXHIBIT C

### REQUISITION CERTIFICATE

Re: Bath County Water District Waterworks Revenue Bonds, Series 2009, in the principal amount of \$259,000

The undersigned hereby certify as follows:

1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Bath County Water District (the "District").

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

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

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

BATH COUNTY WATER DISTRICT

KENTUCKY ENGINEERING GROUP

By \_\_\_\_\_

By \_\_\_\_\_

Registered Professional Engineer

State of Kentucky No. \_\_\_\_\_

Approved on \_\_\_\_\_

Approved on \_\_\_\_\_

Rural Development

Amount expended heretofore \$ \_\_\_\_\_

By \_\_\_\_\_

Amount approved herein \_\_\_\_\_

Authorized RD Official

Total \_\_\_\_\_

Approved on \_\_\_\_\_

## EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

**KENTUCKY INFRASTRUCTURE AUTHORITY**

**ASSISTANCE AGREEMENT**

**FUND F**

<b>PROJECT NUMBER:</b>	<b>F16-011</b>
<b>BORROWER:</b>	<b>Bath County Water District</b>
<b>BORROWER'S ADDRESS:</b>	<b>PO Box 369 Salt Lick, Kentucky 40371</b>
<b>DATE OF ASSISTANCE AGREEMENT:</b>	<b>August 1, 2016</b>
<b>CFDA NO.:</b>	<b>66.458</b>

## **ASSISTANCE AGREEMENT**

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## **ASSISTANCE AGREEMENT**

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

### **WITNESSETH**

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

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

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

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

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

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

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

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

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

## ARTICLE I

### DEFINITIONS

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

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

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

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

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

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

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

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

*"Cabinet"* means the Energy and Environment Cabinet of the Commonwealth.

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

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

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

*"Debt Obligations"* shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or

administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to proceed with the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

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

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

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

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

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

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

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



## ARTICLE III

### AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

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

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

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

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

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

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

**Section 3.4. Subordination of Loan.** The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed



as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

## ARTICLE IV

### CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

(A) That the Authority and the Cabinet and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority or the Cabinet, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to examine and inspect the Project.

(B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of the Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by the lump-sum (fixed price) contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Cabinet.

(G) Duly authorized representatives of the Cabinet and such other agencies of the Commonwealth and the United States Government as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the construction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers. Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Cabinet and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers for the Governmental Agency and approved by state and federal agencies.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the Authority and the U.S. Government, respectively, in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority and the Cabinet, acting by and through their duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(S) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(T) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Cabinet, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(U) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority and the Cabinet the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect.

(V) The Governmental Agency shall require all laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of title 40, United States Code.

(W) The Governmental Agency shall comply with all federal requirements applicable to the Loan (including those imposed by P.L. 113-76, Consolidated Appropriations Act, 2014 (the "2014 Appropriations Act") and related Program policy guidelines) which the Governmental Agency understands includes, among other requirements, that all of the iron and steel products used in the Project are to be produced in the United States ("American Iron and Steel

Requirement") unless (i) the Governmental Agency has requested and obtained a waiver from the United States Environmental Protection Agency pertaining to the Project or (ii) the Authority has otherwise advised the Participant in writing that the American Iron and Steel Requirement is not applicable to the Project.

(X) The Governmental Agency shall comply with all record keeping and reporting requirements under the Federal Act, including any reports required by a Federal agency or the Authority such as performance indicators of program deliverables, information on costs and project progress. The Governmental Agency understands that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities and (ii) failure to comply with the Federal Act and this Agreement may be a default hereunder that results in a repayment of the Loan in advance of the maturity of the Bonds and/or other remedial actions.

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement. The Governmental Agency, in order to comply with the terms and conditions of the Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with generally accepted governmental accounting standards, as required by the Federal Agreement. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(B) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(C) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(D) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(A).

(E) That no more than fifty percent (50%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the final plan for operation for the Project.

(F) That no more than ninety percent (90%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the draft operations and maintenance manual.

(G) That final disbursement will not be allowed until approval by the Cabinet of a final operations and maintenance manual.

(H) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

(1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience;

(2) The training of operating personnel, including preparation of curricula and training material for operating personnel; and

(3) Advice as to whether the Project is meeting the Project performance standards (including three quarterly reports and one project performance report).

(I) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(J) That one year after operation is initiated, it shall certify to the Cabinet and the Authority that the Project is capable of meeting the Project performance standards.

(K) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(L) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(M) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(N) That all measures required to minimize water pollution to affected waters shall be employed in the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

**Section 4.3. Disbursements of Loan; Requisition for Funds.** The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the planning and design of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the planning and design of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the planning and design of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The Contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, and subject to certification by the Cabinet, the Authority may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan.



## ARTICLE V

### CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

**Section 5.1. Imposition of Service Charges.** The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

**Section 5.2. Governmental Agency's Obligation to Repay Loan.** The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

**Section 5.3. Covenant to Adjust Service Charges.** In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

**Section 5.4. Adequacy of Service Charges.** The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the



Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

**Section 5.5. Covenant to Establish Maintenance and Replacement Reserve.** The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

**Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections.** The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribed, charge and collect the Service Charges set forth in Exhibit C as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such obligations.

**Section 5.7. Segregation of Funds.** The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

## ARTICLE VI

### OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

**Section 6.1. Further Assurance.** At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

**Section 6.2. Completion of Project.** The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

**Section 6.3. Establishment of Completion Date.** The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

**Section 6.4. Commitment to Operate.** The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

**Section 6.5. Continue to Operate.** The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

**Section 6.6. Tax Covenant.** In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

**Section 6.7. Accounts and Reports.** The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of Accounts" established by the Commonwealth, in which complete and accurate entries shall be

made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

**Section 6.8. Financial Statements.** Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity. All recipients and subrecipients expending \$500,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with OMB Circular A-133.

**Section 6.9. General Compliance With All Duties.** The Governmental Agency shall faithfully and punctually perform all duties with reference to the Project and the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of this Assistance Agreement and any other Debt Obligations.

**Section 6.10. General.** The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act, the Federal Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

**Section 6.11. Further Covenants under the Federal Agreement.** The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of its under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) 40 CFR 35.3580 (and Appendix A to Subpart L) – NEPA – Like State Environmental Review Process
- (d) Environmental Justice, Executive Order 12898
- (e) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (f) Protection of Wetlands, Executive Order 11990
- (g) Farmland Protection Policy Act, Pub. L. 97-98
- (h) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (i) National Historic Preservation Act of 1966, PL 89-665, as amended
- (j) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (k) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432
- (g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

- (a) KRS 151
- (b) KRS 224
- (c) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (d) KRS Chapter 337, Labor Laws
- (e) 401 KAR Chapter 8

**Section 6.12. Continuing Disclosure Obligation.** The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

## ARTICLE VII

### MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

**Section 7.1. Maintain System.** The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

**Section 7.2. Additions and Improvements.** The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

**Section 7.3. System Not to Be Disposed Of.** The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

**Section 7.4. Compliance with State and Federal Standards.** The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

**Section 7.5. Access to Records.** The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

**Section 7.6. Covenant to Insure - Casualty.** The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

**Section 7.7. Authority as Named Insured.** Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

**Section 7.8. Covenant to Insure - Liability.** The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

**Section 7.9. Covenant Regarding Worker's Compensation.** Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

**Section 7.10. Application of Casualty Insurance Proceeds.** If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

**Section 7.11. Eminent Domain.** In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.11, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an



authorized officer of the Governmental Agency to the effect that the Governmental Agency has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.



## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

**Section 8.1. Events of Default Defined.** The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments specified herein at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

**Section 8.2. Remedies on Default.** Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing (other than an event of default arising under Section 6.13 of this Assistance Agreement), the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Schedule of Payments, to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

(D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.10 hereof shall be those remedies specifically set forth in Section 6.10 hereof

**Section 8.3. Appointment of Receiver.** Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

**Section 8.4. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

**Section 8.5. Consent to Powers of Authority Under Act.** The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

**Section 8.6. Waivers.** In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

**Section 8.7. Agreement to Pay Attorneys' Fees and Expenses.** In the event that either party hereto will default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

## ARTICLE IX

### MISCELLANEOUS PROVISIONS

**Section 9.1. Approval not to be Unreasonably Withheld.** Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

**Section 9.2. Approval.** This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

**Section 9.3. Effective Date.** This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

**Section 9.4. Binding Effect.** This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, without the written consent of the other party.

**Section 9.5. Severability.** In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

**Section 9.6. Assignability.** The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

**Section 9.7. Execution in Counterparts.** This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

**Section 9.8. Applicable Law.** This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

**Section 9.9. Captions.** The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:

KENTUCKY INFRASTRUCTURE  
AUTHORITY

\_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

GOVERNMENTAL AGENCY:  
BATH COUNTY WATER DISTRICT

*Rodney Donathan*  
Title: Secretary

By: *Marvin R. Crouch*  
Title: Chairman

APPROVED:

EXAMINED:

\_\_\_\_\_  
SECRETARY/FINANCE AND  
ADMINISTRATION CABINET OF THE  
COMMONWEALTH OF KENTUCKY

\_\_\_\_\_  
LEGAL COUNSEL TO THE  
KENTUCKY INFRASTRUCTURE  
AUTHORITY

APPROVED AS TO FORM AND LEGALITY

\_\_\_\_\_  
APPROVED  
FINANCE AND ADMINISTRATION CABINET

**EXHIBIT A**  
**BATH COUNTY WATER DISTRICT**  
**PROJECT SPECIFICS**  
**F16-011**

**GOVERNMENTAL AGENCY:**

Name: Bath County Water District  
PO Box 369  
Salt Lick , KY, 40371

Contact  
Person: Marvin Crouch  
Chairman

**SYSTEM:** Water

**PROJECT:**

The project will replace approximately 22,000 linear feet (LF) of 6 inch waterline due to significant water loss as result of multiple waterline breaks. In addition, approximately 8,250 LF of existing undersized waterline will be replaced with 6 inch PVC waterline. Lastly, this project will include rehabilitation of three pump stations within the District's distribution system to include a new structure that will replace the White Oak pump station.

**PROJECT BUDGET:**

	<u>Total</u>
Administrative Expenses	\$ 16,736
Engineering Fees - Design / Const	67,570
Engineering Fees - Inspection	45,500
Construction	718,500
Contingency	65,164
Other	12,000
<b>Total</b>	<b>\$ 925,470</b>

**FUNDING SOURCES:**

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 925,470	100%
<b>Total</b>	<b>\$ 925,470</b>	<b>100%</b>

**KIA DEBT SERVICE:**

Construction Loan	\$ 925,470
Less: Principal Forgiveness (25%)	231,368
Amortized Loan Amount	<u>\$ 694,102</u>
Interest Rate	0.75%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 37,438
Administrative Fee (0.25%)	<u>1,735</u>
Total Estimated Annual Debt Service	<u>\$ 39,173</u>

**AMORTIZATION COMMENCEMENT DATE:** June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/01/16).

Full principal and interest payments will commence within one year of initiation of operation (estimated 06/01/17).

<b>REPLACEMENT RESERVE ACCOUNT:</b>	\$ 2,300	ANNUAL AMOUNT
	\$ 23,000	TOTAL AMOUNT

The annual replacement cost is \$2,300. This amount should be added to the replacement account each December 1 until the balance reaches \$23,000 and maintained for the life of the loan.

**ADMINISTRATIVE FEE:** 0.25%

**DEFAULT RATE:** 8.00%

**DEBT OBLIGATIONS CURRENTLY OUTSTANDING:**

	<u>Outstanding</u>	<u>Maturity</u>
Bond Series 1977	\$ 21,000	2017
Bond Series 1982	\$ 44,000	2022
Bond Series 1988	\$ 209,000	2027
Bond Series 1991	\$ 68,700	2031
Bond Series 1994	\$ 206,500	2034
Bond Series 1998	\$ 160,500	2038
Bond Series 2004	\$ 451,500	2044
Bond Series 2006	\$ 948,000	2045
Bond Series 2009	\$ 247,000	2049
<b>Total</b>	<u>\$ 2,356,200</u>	

**LIABILITY INSURANCE COVERAGE:**

Death or Personal Injury (per person)	<u>\$1,000,000.00</u>
Death or Personal Injury (per occurrence)	<u>\$5,000,000.00</u>
Property Damage on System	<u>\$3,944,662.00</u>

**EXHIBIT B  
REQUEST FOR PAYMENT AND PROJECT STATUS REPORT**

Borrower: \_\_\_\_\_

WX/SX Number: \_\_\_\_\_

KIA Loan # \_\_\_\_\_

Draw Number \_\_\_\_\_

Date: \_\_\_\_\_

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of facilities described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request.

Documentation supporting the expenses incurred and identified per this request are attached.

Funds Requested: \_\_\_\_\_

**Project Budget and Expenses**

Line Item	Cost	Expenses This Request	Expenses to Date	Project Budget	Balance
1	Administrative				
2	Legal				
3	Land, Appraisals, Easements				
4	Relocation Expense				
5	Planning				
6	Engineering Fees - Design				
7	Engineering Fees - Construction				
8	Engineering Fees - Inspection				
9	Construction				
10	Equipment				
11	Contingency				
12	Other				
	<b>TOTAL</b>				

If expenses to date exceed project budget a revised budget must be submitted to and approved by the Authority before funds will be released.

**Project Funding**

	Funding Agency	Expenses This Request	Expenses to Date	Project Budget	Balance
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
	<b>TOTAL</b>				

We certify that the expenses in this draw request were incurred pursuant to local procurement policies which conform to KRS 45A.

Borrower Signature: \_\_\_\_\_

Project Administrator: \_\_\_\_\_

Draw # \_\_\_\_\_

**STATUS REPORT:**

**PROJECT IS:**

On schedule \_\_\_\_\_

Ahead of schedule \_\_\_\_\_

Behind schedule \_\_\_\_\_

If ahead or behind, please explain \_\_\_\_\_

**PROJECT EXPENSES THIS DRAW REQUEST**  
(Include Invoices for Expenses Listed Below)

<u>Line Item</u>	<u>Draw #</u>	<u>Vender</u>	<u>Amount</u>
------------------	---------------	---------------	---------------



**CERTIFICATE OF CONSULTING ENGINEERS AS TO  
PAYMENT REQUEST**

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

\_\_\_\_\_  
Engineer/Architect

\_\_\_\_\_  
Firm Name

**EXHIBIT C**  
**SCHEDULE OF SERVICE CHARGES**

**See Attached**

Form for filing Rate Schedules

FOR All territories served  
Community, Town, or City

Bath County Water District  
Name of Issuing Corporation

P.S.C. No. 1

Original SHEET NO. 4

CANCELLING P.S.C. NO. \_\_\_\_\_

SHEET NO. \_\_\_\_\_

RATES AND CHARGES

RATE  
PER UNIT

A.

MONTHLY WATER RATES

5/8 Inch X 3/4 Inch Meter:

First 2,000 Gallons  
Next 3,000 Gallons  
Next 5,000 Gallons  
Next 10,000 Gallons  
Next 30,000 Gallons  
Over 50,000 Gallons

\$15.90 Minimum Bill  
6.10 Per 1,000 Gallons  
4.67 Per 1,000 Gallons  
4.01 Per 1,000 Gallons  
3.79 Per 1,000 Gallons  
3.67 Per 1,000 Gallons

1 Inch Meter:

First 10,000 Gallons  
Next 10,000 Gallons  
Next 30,000 Gallons  
Over 50,000 Gallons

\$57.55 Minimum Bill  
4.01 Per 1,000 Gallons  
3.79 Per 1,000 Gallons  
3.67 Per 1,000 Gallons

2 Inch Meter:

First 50,000 Gallons  
Over 50,000 Gallons

\$211.35 Minimum Bill  
3.67 Per 1,000 Gallons

DATE OF ISSUE \_\_\_\_\_

DATE EFFECTIVE February 15, 2016

ISSUED BY Marvin K. Greenwell

TITLE Chairperson

By Authority of Order of the Public Service Commission  
In Case No. 2016-00098 Dated March 17, 2016

KENTUCKY PUBLIC SERVICE COMMISSION
Aaron D. Greenwell ACTING EXECUTIVE DIRECTOR
TARIFF BRANCH
<u>Brent Kirkley</u> EFFECTIVE <b>2/15/2016</b>
PURSUANT TO 807 KAR 5.011 SECTION 1(1)

Form for filing Rate Schedules

Bath County Water District  
Name of Issuing Corporation

FOR All territories served  
Community, Town, or City

P.S.C. No. 1

Original SHEET NO. 5

CANCELLING P.S.C. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

RATES AND CHARGES

Deposits

All

( Insert above: Business/ Commercial or Residential or All) Customers will pay equal deposits in the amount of \$50.00. This amount does not exceed the average bill of residential customers served by the District and is equal to 2/12 of the average annual bill. (3/12 where bills are rendered bimonthly or 4/12 where bills are rendered quarterly.)

DATE OF ISSUE \_\_\_\_\_

Month/Date/Year

DATE EFFECTIVE \_\_\_\_\_

Month/Date/Year

ISSUED BY Michele Borden

(Signature of Officer)

TITLE Chairman

By Authority of Order of the Public Service Commission  
In Case No. \_\_\_\_\_ Dated \_\_\_\_\_.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
8/6/2006  
PURSUANT TO 807 KAR 5 011  
SECTION 9 (1)

By [Signature]  
Executive Director

Bath County Water District  
(Name of Utility)

FOR All territories served  
Community, Town, or City

P.S.C. No. 1

Original SHEET NO. 6

CANCELLING P.S.C. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

**C. METER CONNECTION/TAP-ON CHARGES:**

**5/8 Inch x 3/4 Inch**

**650.00**

**All Larger Meters**

**Actual Cost**

DATE OF ISSUE 8/23/10

Month/Date/Year

DATE EFFECTIVE \_\_\_\_\_

ISSUED BY Mary R. Couch

Month/Date/Year

(Signature of Officer)

TITLE Chairperson

By Authority of Order of the Public Service Commission  
In Case No. \_\_\_\_\_ Dated \_\_\_\_\_

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH  <i>Brent Kintley</i>
EFFECTIVE <b>11/1/2010</b> PURSUANT TO 807 KAR 5 011 SECTION 9 (1)

FOR Salt Lick, Kentucky  
Community, Town or City

P.S.C. KY NO. 1

Original SHEET NO. 7

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Bath County Water District  
(Name of Utility)

#### RATES AND CHARGES

#### D. SPECIAL NON-RECURRING CHARGES:

Connection/Turn-on Charge	20.00
Connection/Turn-on Charge (After Hours)	30.00*
Field Collection Charge	20.00
Late Payment Penalty	10%
Meter Relocation Charge	Actual Cost
Meter Re-read Charge	20.00
Meter Test Charge	20.00
Re-connection Charge	20.00
Re-connection Charge (After Hours)	30.00*
Returned Check Charge	20.00
Service Call/Investigation	20.00
Service Call/Investigation (After Hours)	30.00*
Service Line Inspection	20.00

\*NOTE—Regular working hours for the utility's Maintenance Staff is 9:00 a.m. to 4:30 p.m. Monday through Friday, excluding holidays. Upon customer request, and subject to availability of Maintenance Staff, services may be performed outside regular working hours at the after hours rate.

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

ISSUED BY Michael R. Smith  
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 15 2003

PURSUANT TO 807 KAR 5 011  
SECTION 9 (1)

BY Charles E. Brown  
EXECUTIVE DIRECTOR

Form for filing Rate Schedules

FOR All territories served  
Community Town or City

Bath County Water District  
Name of Issuing Corporation

P.S.C. No. 1

Original SHEET NO. 9

CANCELLING P.S.C. NO. \_\_\_\_\_

SHEET NO. \_\_\_\_\_

RATES AND CHARGES

	RATE PER UNIT
F. <u>LEAK ADJUSTMENT RATE:</u>	\$ 2.90 Per 1,000 Gallons
G. <u>WHOLESALE WATER RATES:</u>	
Sharpsburg Water District	\$ 3.38 Per 1,000 Gallons
City of Frenchburg	\$ 2.93 Per 1,000 Gallons
City of Owingsville	
Monthly Debt Service Payment	\$ 4,733.91 Minimum Bill
All Usage	2.52 Per 1,000 Gallons
Bulk Sales	\$ 8.46 Per 1,000 Gallons

DATE OF ISSUE \_\_\_\_\_

DATE EFFECTIVE February 15, 2016

ISSUED BY *William F. Ciseak*  
(Signature of Officer)

TITLE Chairperson

By Authority of Order of the Public Service Commission  
In Case No. 2016-00098 Dated March 17, 2016

KENTUCKY PUBLIC SERVICE COMMISSION
Aaron D. Greenwell ACTING EXECUTIVE DIRECTOR
TARIFF BRANCH
<i>Brent Kirtley</i>
EFFECTIVE 2/15/2016
PURSUANT TO 807 KAR 5 011 SECTION 9 (1)

FOR Salt Lick, Kentucky  
Community, Town or City

P.S.C. KY NO. 1

Original SHEET NO. 10

CANCELLING P.S.C. KY NO. \_\_\_\_\_

SHEET NO. \_\_\_\_\_

Bath County Water District  
(Name of Utility)

RATES AND CHARGES

H. FIRE SPRINKLER SYSTEM RATES:

<u>Meter Size</u>	<u>Monthly Charge</u>
All Meters and Connections	\$10.00

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

ISSUED BY *Charles L. Brown*  
Month / Date / Year  
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 15 2003

PURSUANT TO 807 KAR 5 011  
SECTION 9 (1)

BY *Charles L. Brown*  
EXECUTIVE DIRECTOR



**EXHIBIT D**

**RESOLUTION**

**RESOLUTION OF THE BATH COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF AUGUST 1, 2016 BETWEEN THE BATH COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.**

**WHEREAS, the Board of Commissioners ("Governing Authority") of the Bath County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water System (the "Project") and**

**WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to acquire and construct the Project; and**

**WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of August 1, 2016 (the "Assistance Agreement") with the Authority.**

**NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Bath County Water District, as follows:**

**SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the acquisition and construction of the Project.**

**SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.**

**SECTION 3. That this resolution shall take effect at the earliest time provided by law.**

**ADOPTED on \_\_\_\_\_, 2016.**

\_\_\_\_\_  
**Chairman**

**Attest:**

\_\_\_\_\_  
**Title: Secretary**

**CERTIFICATE**

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Bath County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said District at a meeting duly held on \_\_\_\_\_, 2016; 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 \_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Secretary

**EXHIBIT E**

**OPINION OF COUNSEL**

[Letterhead of Counsel to Governmental Agency]

[Date]

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

**RE: Assistance Agreement by and between Kentucky Infrastructure Authority and  
Bath County Water District, dated as of August 1, 2016**

**Ladies and Gentlemen:**

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

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

Based upon my review I am of the opinion that:

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

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

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

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

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

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

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

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

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

Very truly yours,

**EXHIBIT F**

**TO ASSISTANCE AGREEMENT BETWEEN  
BATH COUNTY WATER DISTRICT  
("GOVERNMENTAL AGENCY") AND  
THE KENTUCKY INFRASTRUCTURE AUTHORITY**

Total Loan to be Repaid by  
Governmental Agency to  
Kentucky Infrastructure Authority \$ \_\_\_\_\_

Principal and Interest Payable  
on Each June 1 and December 1

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

**KENTUCKY INFRASTRUCTURE AUTHORITY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**BATH COUNTY WATER DISTRICT, Governmental  
Agency**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT G**

**ADDITIONAL COVENANTS AND AGREEMENTS**

**NONE**

**10548343v1**

**BATH COUNTY WATER DISTRICT  
Board of Commissioners  
Minutes Special Called Meeting**

**August 11, 2016**

The Board of Commissioners met in a Special Called Meeting on Thursday, August 11, 2016 at 8:00 a.m. at the Districts Office in Salt Lick, Kentucky. The following Commissioners were present: Chairman Marvin Crouch, Secretary Rodney Donathan, Commissioner L.W. Patton, Commissioners Virginia Clark and Mike Ginter were absent. Kenneth Barber and Sherri Greene, Co-Managers was also present for the meeting.

The meeting was called to order by the Chairman at 8:00 a.m.

The purpose of the Special Meeting was to adopt a Resolution of the Bath County Water District approving and authorizing an assistance agreement dated as of August 1, 2016 between the Bath County Water District and the Kentucky Infrastructure Authority. Commissioner Patton made the motion to adopt the resolution and for all documents to be signed by the Chairman and Secretary. Commission Donathan seconded. Motion carried.

There being no further business coming before the Board Commission Donathan made a motion to adjourn. Commission Patton seconded. Motion carried

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Secretary

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Chairman

Form for filing Rate Schedules

FOR All territories served  
Community, Town, or City

Bath County Water District  
Name of Issuing Corporation

P.S.C. No. 1

Original SHEET NO. 4

CANCELLING P.S.C. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

RATES AND CHARGES

RATE  
PER UNIT

A.

MONTHLY WATER RATES

5/8 Inch X 1/2 Inch Meter:

First 2,000 Gallons  
Next 3,000 Gallons  
Next 5,000 Gallons  
Next 10,000 Gallons  
Next 30,000 Gallons  
Over 50,000 Gallons

\$15.90 Minimum Bill  
6.10 Per 1,000 Gallons  
4.67 Per 1,000 Gallons  
4.01 Per 1,000 Gallons  
3.79 Per 1,000 Gallons  
3.67 Per 1,000 Gallons

1 Inch Meter:

First 10,000 Gallons  
Next 10,000 Gallons  
Next 30,000 Gallons  
Over 50,000 Gallons

\$57.55 Minimum Bill  
4.01 Per 1,000 Gallons  
3.79 Per 1,000 Gallons  
3.67 Per 1,000 Gallons

2 Inch Meter:

First 50,000 Gallons  
Over 50,000 Gallons

\$211.35 Minimum Bill  
3.67 Per 1,000 Gallons

DATE OF ISSUE \_\_\_\_\_

DATE EFFECTIVE February 15, 2016

ISSUED BY *Wanda K. Smith*  
(Signature of Officer)

TITLE Chairperson

By Authority of Order of the Public Service Commission  
In Case No. 2016-00098 Dated March 17, 2016

KENTUCKY PUBLIC SERVICE COMMISSION
Aaron D. Greenwell ACTING EXECUTIVE DIRECTOR
TARIFF BRANCH
<i>Brent Kirtley</i>
EFFECTIVE 2/15/2016
ISSUANT TO 807 KAR 5.01 SECTION 9 (1)



**Form for filing Rate Schedules**

**Bath County Water District**  
Name of Issuing Corporation

**FOR All territories served**  
Community, Town, or City

P.S.C. No. 1

Original SHEET NO. 5

CANCELLING P.S.C. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

**RATES AND CHARGES**

**Deposits**  
All

( Insert above: Business/ Commercial or Residential or All) Customers will pay equal deposits in the amount of **\$50.00**. This amount does not exceed the average bill of residential customers served by the District and is equal to 2/12 of the average annual bill. (3/12 where bills are rendered bimonthly or 4/12 where bills are rendered quarterly.)

DATE OF ISSUE \_\_\_\_\_

Month/Date/Year

DATE EFFECTIVE \_\_\_\_\_

Month/Date/Year

ISSUED BY Mitchell Crandall  
(Signature of Officer)

TITLE Chairman

By Authority of Order of the Public Service Commission  
In Case No. \_\_\_\_\_ Dated \_\_\_\_\_.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
8/6/2006  
PURSUANT TO 807 KAR 5 011  
SECTION 9 (1)

By [Signature]  
Executive Director

Bath County Water District  
(Name of Utility)

FOR All territories served  
Community, Town, or City

P.S.C. No. 1

Original 6 SHEET NO. 6

CANCELLING P.S.C. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

**C. METER CONNECTION/TAP-ON CHARGES:**

5/8 Inch x 3/4 Inch

650.00

All Larger Meters

Actual Cost

DATE OF ISSUE 8/23/10  
Month/Date/Year

DATE EFFECTIVE \_\_\_\_\_  
Month/Date/Year

ISSUED BY Mann R. Crouch  
(Signature of Officer)

TITLE Chairperson

By Authority of Order of the Public Service Commission  
In Case No. \_\_\_\_\_ Dated \_\_\_\_\_

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH  <u>Brent Kibbey</u>
EFFECTIVE <b>11/1/2010</b> <small>PURSUANT TO 807 KAR 5 011 SECTION 9 (1)</small>

FOR Salt Lick, Kentucky  
Community, Town or City

P.S.C. KY NO 1

Original SHEET NO. 7

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Bath County Water District  
(Name of Utility)

RATES AND CHARGES

D. SPECIAL NON-RECURRING CHARGES:

Connection/Turn-on Charge	20.00
Connection/Turn-on Charge (After Hours)	30.00*
Field Collection Charge	20.00
Late Payment Penalty	10%
Meter Relocation Charge	Actual Cost
Meter Re-read Charge	20.00
Meter Test Charge	20.00
Re-connection Charge	20.00
Re-connection Charge (After Hours)	30.00*
Returned Check Charge	20.00
Service Call/Investigation	20.00
Service Call/Investigation (After Hours)	30.00*
Service Line Inspection	20.00

**\*NOTE**—Regular working hours for the utility's Maintenance Staff is 9:00 a.m. to 4:30 p.m. Monday through Friday, excluding holidays. Upon customer request, and subject to availability of Maintenance Staff, services may be performed outside regular working hours at the after hours rate.

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
Month / Date / Year

ISSUED BY Michelle R. [Signature]  
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 15 2003

PURSUANT TO 807 KAR 5.011  
SECTION 9 (1)

BY [Signature]  
EXECUTIVE DIRECTOR

Form for filing Rate Schedules

Bath County Water District  
Name of Issuing Corporation

FOR All territories served  
Community, Town or City

P.S.C. No. 1

Original SHEET NO. 9

CANCELLING P.S.C. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

**RATES AND CHARGES**

	RATE PER UNIT
F. <u>LEAK ADJUSTMENT RATE:</u>	\$ 2.90 Per 1,000 Gallons
G. <u>WHOLESALE WATER RATES:</u>	
Sharpsburg Water District	\$ 3.38 Per 1,000 Gallons
City of Frenchburg	\$ 2.93 Per 1,000 Gallons
City of Owingsville	
Monthly Debt Service Payment	\$ 4,733.91 Minimum Bill
All Usage	2.52 Per 1,000 Gallons
Bulk Sales	\$ 8.46 Per 1,000 Gallons

DATE OF ISSUE \_\_\_\_\_  
Month/Date/Year  
 DATE EFFECTIVE February 15, 2016  
Month/Date/Year  
 ISSUED BY *William P. Crouch*  
(Signature of Officer)  
 TITLE Chairperson

By Authority of Order of the Public Service Commission  
 In Case No. 2016-00098 Dated March 17, 2016

KENTUCKY PUBLIC SERVICE COMMISSION
Aaron D. Greenwell ACTING EXECUTIVE DIRECTOR
TARIFF BRANCH
<i>Brent Kintley</i>
EFFECTIVE <b>2/15/2016</b>
PURSUANT TO 807 KAR 5.011 SECTION 2(7)

FOR Salt Lick, Kentucky  
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 10

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Bath County Water District  
(Name of Utility)

RATES AND CHARGES

H. FIRE SPRINKLER SYSTEM RATES:

Meter Size

Monthly Charge

All Meters and Connections

\$10.00

DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

ISSUED BY Charles L. Evers  
Month / Date / Year  
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 15 2003

PURSUANT TO 807 KAR 5 011  
SECTION 9 (1)

BY Charles L. Evers  
EXECUTIVE DIRECTOR

**KIA DEBT SERVICE:**

Construction Loan	\$ 925,470
Less: Principal Forgiveness (25%)	<u>231,368</u>
Amortized Loan Amount	\$ 694,102
Interest Rate	0.75%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 37,438
Administrative Fee (0.25%)	<u>1,735</u>
Total Estimated Annual Debt Service	\$ 39,173

**AMORTIZATION COMMENCEMENT DATE:** June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/01/16).

Full principal and interest payments will commence within one year of initiation of operation (estimated 06/01/17).

<b>REPLACEMENT RESERVE ACCOUNT:</b>	\$ 2,300 ANNUAL AMOUNT
	\$ 23,000 TOTAL AMOUNT

The annual replacement cost is \$2,300. This amount should be added to the replacement account each December 1 until the balance reaches \$23,000 and maintained for the life of the loan.

**ADMINISTRATIVE FEE:** 0.25%

**DEFAULT RATE:** 8.00%

**DEBT OBLIGATIONS CURRENTLY OUTSTANDING:**

	<u>Outstanding</u>	<u>Maturity</u>
Bond Series 1977	\$ 21,000	2017
Bond Series 1982	\$ 44,000	2022
Bond Series 1988	\$ 209,000	2027
Bond Series 1991	\$ 68,700	2031
Bond Series 1994	\$ 206,500	2034
Bond Series 1998	\$ 160,500	2038
Bond Series 2004	\$ 451,500	2044
Bond Series 2006	\$ 948,000	2045
Bond Series 2009	\$ 247,000	2049
Total	<u>\$ 2,356,200</u>	

**LIABILITY INSURANCE COVERAGE:**

Death or Personal Injury (per person)	<u>\$1,000,000.00</u>
Death or Personal Injury (per occurrence)	<u>\$5,000,000.00</u>
Property Damage on System	<u>\$3,944,662.00</u>

**KENTUCKY INFRASTRUCTURE AUTHORITY  
ASSISTANCE AGREEMENT**

**FUND B**

PROJECT NUMBER:	B22-003
GOVERNMENTAL AGENCY (Borrower):	Bath County Water District
GOVERNMENTAL AGENCY'S ADDRESS:	P.O. Box 369 Salt Lick, Kentucky 40371
DATE OF ASSISTANCE AGREEMENT:	August 1, 2023

# ASSISTANCE AGREEMENT

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## **ASSISTANCE AGREEMENT**

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

### **WITNESSETH**

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

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

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds in accordance with a General Trust Indenture dated as of September 1, 1989 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as the ultimate successor-in-interest to National City Bank (f/k/a First Kentucky Trust Company) (the “Trustee”), in order to provide the “match funding” for the Program; and

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

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

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan in accordance with the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained to levy, collect, enforce, and remit adequate Service Charges, as hereinafter defined, for the services provided by the Governmental Agency’s System, as hereinafter defined, and to apply the necessary portion of the Service Charges to the repayment of the Loan and the interest thereon, as hereinafter specifically provided; and

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

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

## ARTICLE I DEFINITIONS

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

“ACH Authorization Form” has the meaning provided in Section 3.2 hereof.

“ACH Debit Direct Payment Method” has the meaning provided in Section 3.2 hereof.

“Act” means Chapter 224A of the Kentucky Revised Statutes, as amended from time to time.

“Administrative Fee” means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Loan Term Schedule.

“Amortization Commencement Date” means the date set forth on the Loan Term Schedule when the first payment of principal of and interest on the Loan is due under the Schedule of Payments.

“Assistance Agreement” means this agreement made and entered into by and between the Authority and a Governmental Agency, as authorized by the Act, providing for the Authority to make a Loan to the Governmental Agency, and for the Governmental Agency to repay the Loan to the Authority in accordance with the terms and conditions established herein.

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

“Authorizing Action” means the resolution or ordinance of the Governmental Agency substantially in the form attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

“Bond” or “Bonds” means any Bonds issued, authenticated, and delivered by the Authority, past or present, under the Indenture.

“Business Day” means any day other than a Saturday, Sunday, or other legal holiday on which the general offices of the Commonwealth are closed.

“Cabinet” means the Energy and Environment Cabinet of the Commonwealth.

“Code” means the Internal Revenue Code of 1986, as amended, and includes the Regulations of the United States Department of the Treasury promulgated thereunder.

“Commonwealth” means the Commonwealth of Kentucky.

“Construction” means construction as defined in the Act.

“Debt Obligations” means the outstanding obligations of the Governmental Agency outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from all or a portion of the income and revenues of the System. For purposes of clarity, a statement of the Debt Obligations of the Governmental Agency payable from all or a portion of the income and revenues of the System as of the date of this Agreement has been provided by the Governmental Agency to the Authority and is set forth in the Project Specifics.

“Default Rate” means the rate of interest per annum identified in the Loan Term Schedule that shall apply to the Loan for all purposes effective upon and including the date of an occurrence of an Event of Default hereunder and shall continue to apply to and including the date such Event of Default is fully remedied by the Governmental Agency in accordance with the terms and conditions set forth hereunder.

“Effective Date” means the date set forth on the cover page of this Assistance Agreement.

“Engineers” means the firm of consulting engineers employed by the Governmental Agency in connection with the Project and identified in the Project Specifics.

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

“Indenture” means the General Trust Indenture dated as of September 1, 1989, by and between the Authority and the Trustee, as amended and supplemented by the parties thereto from time to time in accordance with its terms.

“Loan” means the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Loan Term Schedule, for the purpose of defraying the costs incidental to the Construction of the Project.

“Loan Payment Date” means the dates principal of, or interest on, or Administrative Fees for the Loan are due as set forth in the Loan Term Schedule.

“Loan Rate” means the rate per annum of interest identified in the Loan Term Schedule that shall apply to the Loan absent the occurrence of an Event of Default hereunder.

“Loan Term Schedule” means the payment information and terms of the Loan identified and set forth in Exhibit F attached hereto and includes any amendments or supplements thereto.

“Person” means any individual, firm, partnership, association, limited liability company, corporation, or Governmental Agency.

“Program” means the program authorized by KRS 224A.112 and the Indenture as the “infrastructure revolving fund” for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

“Project” means, when used generally, an infrastructure project as defined in the Act, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

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

“Requisition for Funds” means the Program form provided by the Authority to the Governmental Agency to be utilized by the Governmental Agency in obtaining disbursements of the Loan from the Authority as construction of the Project progresses.

“Schedule of Payments” means the debt service schedule of the Loan as set forth in the Loan Term Schedule.

“Schedule of Service Charges” means those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority before the disbursement of any portion of the Loan hereunder.

“Service Charges” means any monthly, quarterly, semi-annual, or annual charges, surcharges, or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the System which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement; and for the purposes of this Assistance Agreement

any such Service Charge shall be no less than those set forth in the Schedule of Service Charges. For purposes of clarity, Services Charges comprise a portion of the income and revenues of the System.

“System” means the utility system owned and operated by the Governmental Agency of which the Project shall become a part.

“Trustee” means U.S. Bank Trust Company, National Association, as the ultimate successor-in-interest to National City Bank (f/k/a First Kentucky Trust Company), and its successors or assigns.

## ARTICLE II REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, or an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation, or other document or law affecting the Governmental Agency or its governing body.

(F) In accordance with the Authorizing Action of the governing body, the Governmental Agency has approved and authorized the execution and delivery of this Assistance Agreement. The Authorizing Action was duly enacted or adopted at a duly called meeting or meetings held in accordance with the law of the governing body of the Governmental Agency at which a quorum was present and acting throughout; is in full force and effect; and has not been superseded, altered, amended, or repealed as of the date hereof.

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

(H) The Governmental Agency has all licenses, permits, and other governmental approvals (including all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate, and maintain the System and the Project, to charge and collect the Service



Charges, and to enter into this Assistance Agreement. The Governmental Agency is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project and has full right, power, and authority to perform the acts required by the Governmental Agency by this Assistance Agreement.

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

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

### ARTICLE III AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

Section 3.2 Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Loan Term Schedule, subject to such adjustments as may be established in any amendment or supplement to the Loan Term Schedule. Principal payments shall be made in the amounts and on the Loan Payment Dates established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the repayment term set forth in the Schedule of Payments, commencing on the Amortization Commencement Date.

The outstanding principal balance of the Loan shall bear interest, payable on the Loan Payment Dates, at the Loan Rate as set forth in the Loan Term Schedule. Beginning on the Amortization Commencement Date, principal and interest on the Loan shall be payable in the amounts and on the Loan Payment Dates set forth in the Schedule of Payments.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form provided by the Authority from time to time. Except as otherwise provided upon an Event of Default, each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement. The Governmental Agency shall pay interest on the unpaid balance of disbursements at the Loan Rate payable on each Loan Payment Date before the Amortization Commencement Date.

Notwithstanding any other provision herein, the Loan shall bear interest at the Default Rate from and including the date of an occurrence of an Event of Default to and including the date the Governmental Agency fully remedies such Event of Default. The Default Rate shall apply to all principal unpaid hereunder, together with all unpaid interest accrued but unpaid to the date of such Event of Default, all due but unpaid fees set out on the Loan Term Schedule, and all reasonable costs and expenses of the Authority incurred as a result of such Event of default in accordance

with Section 8.2 hereof from and including the date of incurrence thereof to and including the date of reimbursement therefor by the Governmental Agency.

Notwithstanding any other provision herein, upon an Event of Default, the Authority may direct the Governmental Agency to make all Loan payments on the first day of each calendar month, in amounts calculated and determined by the Authority in accordance with this Assistance Agreement in its sole discretion, during the continuation of such Event of Default

Interest on the Loan shall be calculated on the actual number of days and an assumed 360-day year.

Payments of principal and interest on the Loan shall be payable in lawful money of the United States of America at the principal office of the Authority or the Trustee, as designated by the Authority. If so requested by the Authority, Loan payments hereunder shall be made by the Governmental Agency in accordance with 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") as provided by the Authority or the Trustee to the Governmental Agency, which ACH Authorization Form shall be completed, signed, and forwarded to the Authority or the Trustee before the Governmental Agency shall receive any disbursement of the proceeds of the Loan from the Authority.

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

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue Bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of the Authority's intention to proceed with the authorization of such Bonds; (ii) of the limitation on prepayments applicable to the Bonds as a result of the issuance of such Bonds by the Authority; and (iii) that the Governmental Agency has thirty days from its receipt of the notice to exercise its option to prepay the Loan. Upon the expiration of the thirty-day period, the Governmental Agency's right to prepay the Loan shall be limited to the terms described in the notice.

Section 3.4 Subordination of Loan. The Authority hereby agrees that, subject to compliance by the Governmental Agency with the covenants and conditions set forth in this Assistance Agreement, the source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the income and revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics. Notwithstanding the foregoing, (i) the source of payment for the Loan shall be on a parity with the security interest and source of payment for any Debt Obligations of the Governmental Agency payable from the income and revenues of the System outstanding at the time this Assistance Agreement is executed that are not identified in the Project Specifics, unless otherwise consented to in writing by an authorized representative of the Authority; (ii) the source of payment for the Loan shall be on a parity with the security interest and source of payment for any Debt Obligations of the Governmental Agency issued after the Effective Date of this Assistance Agreement; and (iii) the Authority shall receive notice of the

additional incurrence of indebtedness by the Governmental Agency in accordance with Section 5.6(C) hereof.

ARTICLE IV  
CONDITIONS PRECEDENT TO DISBURSEMENT  
REQUISITION FOR FUNDS

Section 4.1 Covenants of the Governmental Agency and the Conditions of the Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that before any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority, if requested, appropriate documentation, satisfactory to the Authority indicating the following:

(A) That the Authority and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to enter upon the Project and its site during construction of the Project and to examine and inspect same, and the Governmental Agency will assure that any contractor or contractors will provide facilities for such access and inspection.

(B) All real estate and interests in real estate and all personal property constituting the Project and the Project sites heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) If the Governmental Agency is required to provide additional financing for the Project from sources other than the Authority (as described in the Project Specifics), the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of Construction of the Project over and above the Loan, before the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements, and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design, and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by either the lump sum (fixed price) or unit price contract method and adequate legal methods of obtaining public, competitive bidding will be employed before the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the Effective Date, in accordance with due compliance with Kentucky law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs, and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Authority.

(G) The construction contract or contracts shall require the contractor to comply with all provisions of federal and Kentucky law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(H) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared before the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(I) Before the award of the construction contract and before the commencement of construction, the Governmental Agency will arrange and conduct a conference regarding the Project; the conference shall include representatives of the Authority, the Governmental Agency, and any other participating federal or state agency, the Engineers, and all construction contractors. Such conference shall be held in accordance with guidelines established by the Authority. A written brief of the conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each party involved, and all construction contractors and Engineers. Provided, however, that if construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(J) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(K) The Governmental Agency shall promptly submit any change or changes in a construction contract to the Authority and any required state or federal agencies.

(L) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules, and regulations.

(M) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans, specifications, and designs or amendments thereto, prepared by the Engineers for the Governmental Agency and approved by state and federal agencies.

(N) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority noting the participation of the Authority in the financing of the Project.

(O) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(P) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the duly authorized representatives of the Authority, and any Kentucky or federal agencies to inspect all books, documents, papers, and records relating to the Project at any and all reasonable times for the purpose of audit and examination. The Governmental Agency shall submit to the Authority such documents and information as such may reasonably require in connection with the administration of any federal or state assistance.

(Q) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a payment bond in an amount at least equal to 100% of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of each such contract.

(R) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance, and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project is completed and accepted by the Governmental Agency, the contractor shall maintain builders risk insurance (fire and extended coverage) on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(S) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications, and designs prepared by the Engineers. The resident engineer shall certify to the Authority, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications, and designs and approved amendments thereto.

(T) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce, and remit to the Authority the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached hereto as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect as of the submission of the initial Requisition for Funds.

Section 4.2 Disbursements of Loan Funds; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) a Requisition for funds before the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form provided by the Authority to the Governmental Agency from time to time, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting.

(B) A full and complete accounting of any costs of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and excluded from any previous accounting for which the Governmental Agency seeks reimbursement.

(C) A full and complete accounting of any costs of the Project paid or requisitioned under any other financing, loan, bond, grant, or similar agreement or paid from the Governmental Agency's own funds for which the Governmental Agency does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The contractor's estimate of work performed during the preceding month in accordance with construction contracts for the Project and payment due thereunder, together with the Engineer and Governmental Agency's approval thereof for disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds and such additional documentation as it may require, the Authority may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan. If directed by the Authority, the Governmental Agency shall establish an electric fund transfer system with the Trustee, which may be an ACH Payment Method.

The Authority may disburse proceeds of the Loan directly to the Governmental Agency. The Governmental Agency, if so directed by the Authority, shall establish itself as a vendor under the Commonwealth's eMars system.

ARTICLE V  
CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY;  
PAYMENTS TO BE MADE BY  
THE GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1 Imposition of Service Charges; Pledge of Same. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions, and requirements of this Assistance Agreement, in accordance with which the Loan is to be made by the Authority to the Governmental Agency as specified herein, in the Act, and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all Persons to whom or which services are provided by the System; such Service Charges to be no less than as set forth in Exhibit C attached hereto. If so required, the Service Charges shall be in addition to all other rates, rentals, and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying the Loan.

Section 5.2 Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay the Loan from the Service Charges shall not be revocable, and if services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges.

Section 5.3 Covenant to Adjust Service Charges. If, for any reason, the Schedule of Service Charges shall be insufficient to (i) provide for the required coverage of all debt service payments on obligations payable from the revenues of the System as set forth in Section 5.4 hereof;

(ii) provide for the operation of the System as required under this Assistance Agreement; and (iii) make the required deposits to the Maintenance and Replacement Reserve, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and Kentucky, immediately adjust and increase such Schedule of Service Charges or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities so as to provide funds sufficient to pay the debt service requirements set forth in the Schedule of Payments and the Authority's Administrative Fee, to provide for the operation of the System as required under this Assistance Agreement, and to make required deposits to the Maintenance and Replacement Reserve.

Section 5.4 Adequacy of Service Charges. The Governmental Agency hereby covenants during the term of this Assistance Agreement to impose Service Charges in each of the Governmental Agency's fiscal years adequate to pay at least the sum of the following for each such fiscal year: (i) 110% of the debt service and Administrative Fees coming due during each such fiscal year on this Loan and all other Debt Obligations and other indebtedness secured and payable from the income and revenues of the System, in each case computed as of the beginning of each such fiscal year (except to the extent the Governmental Agency has by binding ordinance or resolution committed reserves to the payment of any such debt service); (ii) the amounts required to provide for the operation of the System during each such fiscal year as required by this Assistance Agreement; and (iii) the amounts to be deposited hereunder to the Maintenance and Replacement Reserve for each such fiscal year. The Governmental Agency hereby further covenants that the Service Charges identified on Exhibit C attached hereto are sufficient to permit the Governmental Agency to achieve the foregoing debt service coverage ratio for the fiscal year of the Governmental Agency during which this Assistance Agreement will become effective.

The Governmental Agency shall deliver to the Authority, on or before each Loan Payment Date, a report of all collections and any delinquencies.

Section 5.5 Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit funds into the Maintenance and Replacement Reserve on the dates and in the amounts set forth in the Project Specifics. The Governmental Agency may expend funds held within the Maintenance and Replacement Reserve to pay extraordinary maintenance expenses related to the System or to pay unbudgeted costs of replacing worn or obsolete portions of the System, subject to the prior written approval of the Authority.

Section 5.6 Reports; Inspection. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That the Governmental Agency will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System and will permit authorized agents of the Authority to inspect all records, accounts, and data of the System at all reasonable times.

(B) That the Governmental Agency will collect, account for, and promptly remit to the Authority those specific revenues, funds, income, and proceeds derived from the revenues of the System incident to this Assistance Agreement.

(C) That the Governmental Agency will notify the Authority in writing of its intention to incur indebtedness payable from the income and revenues of the System not less than thirty days before the execution of any agreement obligating the Governmental Agency to incur any such indebtedness.

Section 5.7 Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys, and funds of the Governmental Agency, if any.

Section 5.8 Mandatory Sewer Connection. If the Project consists of sanitary sewer facilities, the Governmental Agency hereby irrevocably covenants and agrees with the Authority that it will, to the maximum extent permitted by Kentucky law, and by means of ordinance, resolution, or other appropriate legislative order or action, mandatorily require the connection to and use of, the sanitary sewers constituting the System by all persons owning, renting, or occupying premises that generate pollutants where such sanitary sewers are reasonably available to such premises, and to exhaust, at the expense of the Governmental Agency, all remedies for the collection of Service Charges, including, either directly or indirectly, in accordance with authority granted by Sections 96.930 to 96.943, inclusive, of the Kentucky Revised Statutes, and the Act, causing termination of water services to any premises where the bill for sewer services is delinquent and foreclosure and decretal sale in respect of improvement benefit assessments which are delinquent.

Section 5.9 Termination of Water Services to Delinquent Users. If the Project consists of water facilities the Governmental Agency covenants and agrees that it shall, in accordance with applicable provisions of law, to the maximum extent authorized by law, enforce and collect the Service Charges imposed, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

## ARTICLE VI OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1 Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, and confirming all and singular the rights, assets, and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2 Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs, and specifications prepared by the Engineers for the Governmental Agency.



Section 6.3 Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery, and equipment used in such Construction have been paid for; (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped, and installed and all costs and expenses incurred in connection therewith have been paid, and (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped, and installed to the Governmental Agency's satisfaction.

Section 6.4 Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of Construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5 Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project and the System in accordance with applicable provisions of federal and Kentucky law and to maintain adequate records relating to the Project's operation. The Governmental Agency shall make all such records available to the Authority at all reasonable times upon the Authority's request.

Section 6.6 Tax Covenant. If the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business; (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business; (iii) any management agreement for the operation of the System; or (iv) any federal guarantee of its obligations hereunder, all without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7 Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8 Audit Requirements. Within 180 days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, including disclosure of the Maintenance and Replacement Reserve, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the

authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

Section 6.9 General Compliance with all Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of the Act and this Assistance Agreement and any other Debt Obligations.

Section 6.10 System Not to Be Disposed of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of, any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 6.11 Continuing Disclosure Obligations. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides 10% or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the SEC Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section by an action in mandamus, for specific performance, or similar remedy to compel performance.

Section 6.12 General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G attached hereto.

## ARTICLE VII MAINTENANCE, OPERATION, INSURANCE, AND CONDEMNATION

Section 7.1 Maintain the System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating

condition at the Governmental Agency's own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2 Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications, and improvements to the sites of the Project, and to the Project itself from time to time provided that the additions, modifications, and improvements do not impair the operation or objectives of the Project. The Governmental Agency shall pay the cost of such additions, modifications, and improvements and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3 Compliance with State and Federal Standards. The Governmental Agency shall operate and maintain the System at all times to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency shall retain a qualified operating personnel properly certified by the Commonwealth to operate the System during the entire term of this Assistance Agreement.

Section 7.4 Access to Records. The Governmental Agency shall permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.5 Covenant to Insure – Casualty. The Governmental Agency agrees to insure the System facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.6 Authority as Named Insured. For so long as any amounts are due and payable under this Assistance Agreement, any insurance policy issued in accordance with Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.7 Covenant to Insure – Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the System with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.8 Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.9 Application of Casualty Insurance Proceeds. If, before the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm, or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency in accordance with the terms of this Assistance Agreement and the Governmental Agency will (i) promptly repair, rebuild, or restore the Project damaged or destroyed; and (ii) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency and shall be promptly applied as herein provided.

Section 7.10 Eminent Domain. If title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority in accordance with the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as before the exercise of the power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of the certificate by an authorized officer of the Authority. The Governmental Agency shall not voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the prior written consent of the Authority.

Section 7.11 Flood Insurance. For so long as any amounts are due and payable under this Assistance Agreement, all structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the replacement cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less.

## ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES

Section 8.1 Events of Default Defined. The following will be “Events of Default” under this Assistance Agreement and the term “Event of Default” or “Default” will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time before its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or Kentucky law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt, or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which remain undismissed for sixty days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

Section 8.2 Remedies on Default. Whenever any Event of Default referred to in Section 8.1 hereof has occurred and is continuing (other than an event of default arising under Section 6.12 hereof), the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare the principal of and interest on the Loan, and all other payments due hereunder, to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.11 hereof shall be those remedies specifically set forth in Section 6.11 hereof

Section 8.3 Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5 Consent to Powers of the Authority under the Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights, and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to such rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay, or render nugatory such actions of the Authority in the due and prompt implementation or enforcement of this Assistance Agreement.

Section 8.6 Waivers. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7 Agreement to Pay Attorneys' Fees and Expenses. If either party hereto defaults under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

## ARTICLE IX MISCELLANEOUS PROVISIONS

Section 9.1 Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth day following the submission of any matter requiring approval to the Authority, unless disapproved in writing before such thirtieth day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing, or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2 Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

Section 9.3 Effective Date. This Assistance Agreement shall become effective on the Effective Date and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4 Binding Effect. This Assistance Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, without the written consent of the other party.

Section 9.5 Severability. If any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6 Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties, or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7 Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.8 Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

Section 9.9 Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

Section 9.10 Interpretation. All accounting terms not otherwise defined in this Assistance Agreement have the meanings assigned to them in accordance with generally accepted accounting principles then in effect. Words of the feminine gender shall be deemed and construed to include correlative words of the masculine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa. Unless the context shall otherwise indicate, the word “or” is used in the inclusive sense of “or” and the word “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term. Headings of articles and sections herein are solely for the convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. All references in this instrument to designated “Articles,” “Sections,” “Exhibits” and other subdivisions or attachments are to the designated Articles, Sections, Exhibits and other subdivisions and attachments of this instrument as originally executed. The words “herein,” “hereof” and “hereunder” and other words of similar import refer

to this Assistance Agreement as a whole and not to any particular Article, Section, Exhibit or other subdivision or attachment unless the context indicates otherwise.

[Signature page to follow]



IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the Effective Date.

KENTUCKY INFRASTRUCTURE  
AUTHORITY

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

ATTEST:

By: \_\_\_\_\_  
Secretary of  
Kentucky Infrastructure Authority

GOVERNMENTAL AGENCY:  
Bath County Water District

By: \_\_\_\_\_  
Chair

ATTEST:

By: \_\_\_\_\_  
Secretary of  
Governmental Agency

APPROVED:

EXAMINED:

By: \_\_\_\_\_  
Secretary/Finance and Administration  
Cabinet of the Commonwealth of Kentucky

By: \_\_\_\_\_  
Legal Counsel to the  
Kentucky Infrastructure Authority

APPROVED AS TO FORM AND  
LEGALITY

By: \_\_\_\_\_  
Approved, Finance and  
Administration Cabinet

EXHIBIT A  
TO  
ASSISTANCE AGREEMENT

PROJECT SPECIFICS

\* \* \* \* \*

(See attachment)

**EXHIBIT A**  
**BATH COUNTY WATER DISTRICT**  
**PROJECT SPECIFICS**  
**B22-003**

**GOVERNMENTAL AGENCY:**

Name: Bath County Water District  
PO Box 369  
Salt Lick, KY 40371

Contact L.W. Patton  
Person: Chairperson

**SYSTEM:** Drinking Water

**PROJECT:**

The Bath County Water District (BCWD) is requesting a Fund B loan in the amount of \$640,469 for the BCWD Improvements and Upgrades project. The project consists of several improvements and repairs to the water system's aging infrastructure. The scope of work includes the rehabilitation of six water tanks, construction of a new pump station, and the upgrade of another pump station.

**PROJECT BUDGET:**

	Total
Administrative Expenses	\$ 17,779
Land, Easements	15,000
Engineering Fees - Design	108,950
Engineering Fees - Inspection	68,080
Construction	1,185,250
Contingency	96,418
<b>Total</b>	<b>\$ 1,491,477</b>

**FUNDING SOURCES:**

	Amount	%
Fund B Loan	\$ 640,469	43%
CWP Grant R1	76,513	5%
CWP Grant R2 - Anticipated	774,495	52%
<b>Total</b>	<b>\$ 1,491,477</b>	<b>100%</b>

**KIA DEBT SERVICE:**

Construction Loan	\$ 640,469
Less: Principal Forgiveness	0
Amortized Loan Amount	<u>\$ 640,469</u>
Interest Rate	1.25%
Loan Term (Years)	<u>20</u>
Estimated Annual Debt Service	\$ 36,292
Administrative Fee (0.20%)	<u>1,281</u>
<b>Total Estimated Annual Debt Service</b>	<b>\$ 37,573</b>

**AMORTIZATION SCHEDULE OF PAYMENTS:** June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/01/23).

Full principal and interest payments will commence on June 1 or December 1 immediately succeeding the date of last draw of funds (estimated 06/01/24). All interest and principal repayments shall be made by Automated Clearing House "ACH" transfers.

<b>REPLACEMENT AND MAINTENANCE RESERVE ACCOUNT:</b>	\$ 1,600	ANNUAL AMOUNT
	\$ 32,000	TOTAL AMOUNT

The annual maintenance replacement cost is 5% (\$32,000) of the final amount borrowed (prior to principal forgiveness, if any) to be funded annually (\$1,600) each December 1 over 20 years and maintained for the life of the loan.

**ADMINISTRATIVE FEE:** 0.20%

**DEFAULT RATE:** 8.00%

**DEBT OBLIGATIONS CURRENTLY OUTSTANDING:**

	<u>Outstanding</u>	<u>Maturity</u>
Series 2004 Revenue Bonds	\$ 382,500	2044
Series 2009 Revenue Bonds	209,000	2049
KIA Loan F16-011	523,701	2037
<b>Total</b>	<b>\$ 1,115,201</b>	

**LIABILITY INSURANCE COVERAGE:**

Death or Personal Injury (per person)	<u>\$1,000,000</u>
Death or Personal Injury (per occurrence)	<u>\$5,000,000</u>
Property Damage on System	<u>\$15,000,000</u>

EXHIBIT B  
TO  
ASSISTANCE AGREEMENT

RESERVED

EXHIBIT C  
TO  
ASSISTANCE AGREEMENT  
SCHEDULE OF SERVICE CHARGES

\* \* \* \* \*

(See attachment)

FOR All territories served  
Community, Town or City

P.S.C. KY. NO. 1

5<sup>th</sup> Revised SHEET NO. 4

CANCELLING P.S.C. KY. NO. 1

4<sup>th</sup> Revised SHEET NO. 4

Bath County Water District  
(Name of Utility)

## RATES AND CHARGES

### A. MONTHLY WATER RATES:

#### 5/8 Inch x 3/4 Inch Meter

First	2,000	Gallons	\$16.92	Minimum Bill
Next	3,000	Gallons	.00661	Per Gallon
Next	5,000	Gallons	.00518	Per Gallon
Next	10,000	Gallons	.00452	Per Gallon
Next	30,000	Gallons	.00430	Per Gallon
Over	50,000	Gallons	.00418	Per Gallon

#### 1 Inch Meter

First	10,000	Gallons	\$62.65	Minimum Bill
Next	10,000	Gallons	.00452	Per Gallon
Next	30,000	Gallons	.00430	Per Gallon
Over	50,000	Gallons	.00418	Per Gallon

#### 2 Inch Meter

First	50,000	Gallons	\$236.85	Minimum Bill
Over	50,000	Gallons	.00418	Per Gallon

(I)

DATE OF ISSUE 7/31/2022

Month / Date / Year

DATE EFFECTIVE 8/15/2022

Month / Date / Year

ISSUED BY *AW Patton*

(Signature of Officer)

TITLE Chairperson

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2022-00239 DATED August 22, 2022

### KENTUCKY PUBLIC SERVICE COMMISSION

**Linda C. Bridwell**  
Executive Director

*Linda C. Bridwell*

EFFECTIVE

**8/15/2022**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Form for filing Rate Schedules

**FOR All territories served**  
**Community, Town, or City**

**Bath County Water District**  
**Name of Issuing Corporation**

P.S.C. No. 1

**Original** SHEET NO. 5

CANCELLING P.S.C. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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**RATES AND CHARGES**

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**Deposits**

All

( Insert above: Business/ Commercial or Residential or All) Customers will pay equal deposits in the amount of **\$50.00** . This amount does not exceed the average bill of residential customers served by the District and is equal to 2/12 of the average annual bill. (3/12 where bills are rendered bimonthly or 4/12 where bills are rendered quarterly.)

DATE OF ISSUE \_\_\_\_\_

Month/Date/Year

DATE EFFECTIVE \_\_\_\_\_

Month/Date/Year

ISSUED BY *Michelle Craden*  
(Signature of Officer)

TITLE Chairman

By Authority of Order of the Public Service Commission  
In Case No. \_\_\_\_\_ Dated \_\_\_\_\_.

**PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE  
8/6/2006  
PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)**

By *[Signature]*  
Executive Director



FOR           All Territories Served            
Community, Town or City

P.S.C. KY. NO.           2            
1<sup>st</sup> Revised SHEET NO.           6          

Bath County Water District  
(Name of Utility)

CANCELLING P.S.C. KY. NO.           1          

Original SHEET NO.           6          

**C. METER CONNECTION/TAP-ON CHARGES:**

5/8 Inch x 3/4 Inch

\$950.00

1

All Larger Meters

Actual Cost

DATE OF ISSUE           October 25, 2021            
Month / Date / Year

DATE EFFECTIVE           January 3, 2021            
Month / Date / Year

ISSUED BY           /s/L.W. Patton            
(Signature of Officer)

TITLE           Chairperson          

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO.                                  DATE                                  C-3

**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**Linda C. Bridwell**  
Executive Director



**EFFECTIVE**

**1/3/2022**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

FOR Salt Lick, Kentucky  
Community, Town or City

P.S.C. KY. NO. 1

1<sup>st</sup> Revised SHEET NO. 7

CANCELLING P.S.C. KY. NO. 1

Original SHEET NO. 7

Bath County Water District  
(Name of Utility)

**RATES & CHARGES**

**D. SPECIAL NON-RECURRING CHARGES:**

Connection/Turn-on Charge	20.00
Connection/Turn-on Charge (After Hours)	30.00*
Field Collection Charge	20.00
Late Payment Penalty	10%
Meter Relocation Charge	Actual Cost
Meter Re-read Charge	20.00
Meter Test Charge	20.00
Re-connection Charge	20.00
Re-connection Charge (After Hours)	30.00*
Returned Check Charge	20.00
Service Call/Investigation	20.00
Service Call/Investigation (After Hours)	30.00*
Service Line Inspection	20.00

**\*NOTE** – Regular working hours for the utility's Maintenance Staff is 8:00 a.m. to 4:30 p.m. Monday through Friday, excluding holidays. Upon customer request, and subject to availability of Maintenance Staff, services may be performed outside regular working hours at the After Hours rate.

(T)

DATE OF ISSUE November 29, 2016  
Month / Date / Year

DATE EFFECTIVE January 1, 2017  
Month / Date / Year

ISSUED BY Marvin R. Crouch  
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

**KENTUCKY**  
**PUBLIC SERVICE COMMISSION**

**Talina R. Mathews**  
**EXECUTIVE DIRECTOR**

*Talina R. Mathews*

**EFFECTIVE**

**1/1/2017**

**PURSUANT TO 807 KAR 5:011 SECTION 9 (1)**

FOR All Territories Served  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

1<sup>st</sup> Revised \_\_\_\_\_ SHEET NO. 8

Bath County Water District  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

Original \_\_\_\_\_ SHEET NO. 8

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RATES AND CHARGES

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E: Reserve for future use.

DATE OF ISSUE \_\_\_\_\_

Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

August 1, 2013

ISSUED BY Marvin R Crouch  
(Signature of Officer)

Month / Date / Year

TITLE Chairperson

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ Dated \_\_\_\_\_

**KENTUCKY**  
**PUBLIC SERVICE COMMISSION**

**JEFF R. DEROUEN**  
**EXECUTIVE DIRECTOR**

**TARIFF BRANCH**

Brent Kirtley

**EFFECTIVE**

**8/1/2013**

**PURSUANT TO 807 KAR 5:011 SECTION 9 (1)**

FOR All territories served  
Community, Town or City

P.S.C. KY. NO. 1

5<sup>th</sup> Revised SHEET NO. 9

Bath County Water District  
(Name of Utility)

CANCELLING P.S.C. KY. NO. 1

4<sup>th</sup> Revised SHEET NO. 9

#### RATES AND CHARGES

F. LEAK ADJUSTMENT RATE: .00341 Per Gallon (I)

G. WHOLESALE WATER RATES:

Sharpsburg Water District .00389 Per Gallon (I)

City of Frenchburg .00344 Per Gallon (I)

City of Owingsville  
Monthly debt service payment \$4,733.91 Minimum Bill  
All Usage .00303 Per Gallon (I)

Bulk Sales  
.00897 Per Gallon (I)

DATE OF ISSUE 7/31/2022

Month / Date / Year

DATE EFFECTIVE 8/15/2022

Month / Date / Year

ISSUED BY   
(Signature of Officer)

TITLE Chairperson

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2022-00239 DATED August 22, 2022

**KENTUCKY  
PUBLIC SERVICE COMMISSION**

**Linda C. Bridwell**  
Executive Director



EFFECTIVE

**8/15/2022**

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

FOR Salt Lick, Kentucky  
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 10

Bath County Water District  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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RATES AND CHARGES

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H. FIRE SPRINKLER SYSTEM RATES:

Meter Size

Monthly Charge

All Meters and Connections

\$10.00

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DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_

ISSUED BY *W. Mitchell* \_\_\_\_\_  
Month / Date / Year  
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

SEP 15 2003

PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

BY *Charles L. Dorn*  
EXECUTIVE DIRECTOR

EXHIBIT D  
TO  
ASSISTANCE AGREEMENT  
FORM OF AUTHORIZING ACTION

\* \* \* \* \*

(See attachment)

RESOLUTION

A RESOLUTION APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE BATH COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY TO PROVIDE UP TO \$640,469 OF LOAN FUNDS FOR WASTEWATER SYSTEM IMPROVEMENTS.

WHEREAS, the Board of Commissioners (the “Governing Authority”) of the Bath County Water District, (the “Governmental Agency”) has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency’s Wastewater System (the “Project”); and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the “Authority”) for the purpose of providing monies to construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an Assistance Agreement with the Authority (the “Assistance Agreement”);

NOW, THEREFORE, IT IS RESOLVED by the Bath County Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority dated as of August 1, 2023 substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the Project.

SECTION 2. That the Mayor and City Clerk of the Governmental Agency be and hereby are authorized, directed, and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on \_\_\_\_\_.

\_\_\_\_\_  
Chair

Attest:

\_\_\_\_\_  
Secretary

## CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Bath County Water District (the "Governmental Agency"); that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of the Governmental Agency at a meeting duly held on \_\_\_\_\_, 2023; that the official action appears as a matter of public record in the official records or journal of the governing authority; that the meeting was held in accordance with all applicable requirements of Kentucky law, including Sections 61.805 to 61.850, inclusive, of the Kentucky Revised Statutes; that a quorum was present at the meeting; that the 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 \_\_\_\_\_, 2023.

---

Secretary



EXHIBIT E  
TO  
ASSISTANCE AGREEMENT  
FORM OF LEGAL OPINION

\* \* \* \* \*

(See attachment)

[LETTERHEAD OF COUNSEL TO GOVERNMENTAL AGENCY]

[Date of Delivery]

Kentucky Infrastructure Authority  
100 Airport Road, Third Floor  
Frankfort, Kentucky

Re: Assistance Agreement by and between Kentucky Infrastructure Authority and Bath  
County Water District, dated as of August 1, 2023

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Bath County Water District (the “Governmental Agency”). I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the wastewater treatment works project (the “Project”) with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority (“Authority”) and the Governmental Agency (the “Assistance Agreement”) is being authorized, executed, and delivered. Capitalized but undefined terms utilized herein shall have the meanings provided in the Assistance Agreement.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the legislation of the governing authority authorizing the execution and delivery of the Assistance Agreement and the plans, designs, and specifications prepared by the Engineers for the Governmental Agency with respect to the Project.

Based upon my review I am of the opinion that:

1. The Governmental Agency is a duly organized and existing municipal corporation and political subdivision of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

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

3. The Governmental Agency has all necessary power and authority (i) to enter into, perform, and consummate all transactions contemplated by the Assistance Agreement, and (ii) to

execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

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

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

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

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

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

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

Very truly yours,

EXHIBIT F  
TO  
ASSISTANCE AGREEMENT  
  
LOAN TERM SCHEDULE

\* \* \* \* \*

The final Loan Term Schedule will be provided by the Authority to the Governmental Agency upon completion of the Project and will be automatically incorporated into this Assistance Agreement by reference. Each of the Authority and the Governmental Agency agree to include a copy of the final Loan Term Schedule with their copies of this Assistance Agreement. The factors to be utilized by the Authority in the calculation of the final Loan Term Schedule will be as follows:

Principal Amount of Loan:	Up to \$640,469
Loan Interest Rate	1.25%
Default Interest Rate:	8.0%
Authority's Administrative Fee:	0.20%
Loan Payment Dates:	June 1 and December 1
Estimated Amortization Commencement Date:	December 1, 2023
Repayment Term:	20 years

It is understood and agreed by the parties to this Assistance Agreement that this Term Loan Schedule (Exhibit F) is an integral part of the Assistance Agreement between the Governmental Agency and the Authority. This Term Loan Schedule may be amended, supplemented, or modified by the mutual agreement of the Governmental Agency and the Authority provided that such amendment, supplement, or modification shall be in writing and executed by the respective duly authorized officers of the Governmental Agency and the Authority. Upon the execution and delivery of any amended, supplemented, or modified Term Loan Schedule, the Assistance Agreement and the Term Loan Schedule shall be, and be deemed to be, amended, supplemented, and modified in accordance therewith, and the respective rights, duties, and obligations under the Assistance Agreement of the Governmental Agency and the Authority shall thereafter be determined, exercised, and enforced under the Assistance Agreement subject in all respects to such amendments, supplements, and modifications.

**KENTUCKY INFRASTRUCTURE AUTHORITY  
ANTICIPATED REPAYMENT SCHEDULE  
LOAN #B22-003  
BATH COUNTY WATER DISTRICT**

**1.25% Interest  
\$18,146.22 P & I Calculation**

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								\$640,469.00		
06/01/24	\$14,143.29	\$4,002.93	1.25%	\$18,146.22	\$640.47	\$0.00	\$18,786.69	\$626,325.71	\$0.00	\$0.00
12/01/24	\$14,231.68	\$3,914.54	1.25%	\$18,146.22	\$626.33	\$0.00	\$18,772.55	\$612,094.03	\$1,600.00	\$1,600.00
06/01/25	\$14,320.63	\$3,825.59	1.25%	\$18,146.22	\$612.09	\$0.00	\$18,758.31	\$597,773.40	\$0.00	\$1,600.00
12/01/25	\$14,410.14	\$3,736.08	1.25%	\$18,146.22	\$597.77	\$0.00	\$18,743.99	\$583,363.26	\$1,600.00	\$3,200.00
06/01/26	\$14,500.20	\$3,646.02	1.25%	\$18,146.22	\$583.36	\$0.00	\$18,729.58	\$568,863.06	\$0.00	\$3,200.00
12/01/26	\$14,590.83	\$3,555.39	1.25%	\$18,146.22	\$568.86	\$0.00	\$18,715.08	\$554,272.23	\$1,600.00	\$4,800.00
06/01/27	\$14,682.02	\$3,464.20	1.25%	\$18,146.22	\$554.27	\$0.00	\$18,700.49	\$539,590.21	\$0.00	\$4,800.00
12/01/27	\$14,773.78	\$3,372.44	1.25%	\$18,146.22	\$539.59	\$0.00	\$18,685.81	\$524,816.43	\$1,600.00	\$6,400.00
06/01/28	\$14,866.12	\$3,280.10	1.25%	\$18,146.22	\$524.82	\$0.00	\$18,671.04	\$509,950.31	\$0.00	\$6,400.00
12/01/28	\$14,959.03	\$3,187.19	1.25%	\$18,146.22	\$509.95	\$0.00	\$18,656.17	\$494,991.28	\$1,600.00	\$8,000.00
06/01/29	\$15,052.52	\$3,093.70	1.25%	\$18,146.22	\$494.99	\$0.00	\$18,641.21	\$479,938.76	\$0.00	\$8,000.00
12/01/29	\$15,146.60	\$2,999.62	1.25%	\$18,146.22	\$479.94	\$0.00	\$18,626.16	\$464,792.16	\$1,600.00	\$9,600.00
06/01/30	\$15,241.27	\$2,904.95	1.25%	\$18,146.22	\$464.79	\$0.00	\$18,611.01	\$449,550.89	\$0.00	\$9,600.00
12/01/30	\$15,336.53	\$2,809.69	1.25%	\$18,146.22	\$449.55	\$0.00	\$18,595.77	\$434,214.36	\$1,600.00	\$11,200.00
06/01/31	\$15,432.38	\$2,713.84	1.25%	\$18,146.22	\$434.21	\$0.00	\$18,580.43	\$418,781.98	\$0.00	\$11,200.00
12/01/31	\$15,528.83	\$2,617.39	1.25%	\$18,146.22	\$418.78	\$0.00	\$18,565.00	\$403,253.15	\$1,600.00	\$12,800.00
06/01/32	\$15,625.89	\$2,520.33	1.25%	\$18,146.22	\$403.25	\$0.00	\$18,549.47	\$387,627.26	\$0.00	\$12,800.00
12/01/32	\$15,723.55	\$2,422.67	1.25%	\$18,146.22	\$387.63	\$0.00	\$18,533.85	\$371,903.71	\$1,600.00	\$14,400.00
06/01/33	\$15,821.82	\$2,324.40	1.25%	\$18,146.22	\$371.90	\$0.00	\$18,518.12	\$356,081.89	\$0.00	\$14,400.00
12/01/33	\$15,920.71	\$2,225.51	1.25%	\$18,146.22	\$356.08	\$0.00	\$18,502.30	\$340,161.18	\$1,600.00	\$16,000.00
06/01/34	\$16,020.21	\$2,126.01	1.25%	\$18,146.22	\$340.16	\$0.00	\$18,486.38	\$324,140.97	\$0.00	\$16,000.00
12/01/34	\$16,120.34	\$2,025.88	1.25%	\$18,146.22	\$324.14	\$0.00	\$18,470.36	\$308,020.63	\$1,600.00	\$17,600.00
06/01/35	\$16,221.09	\$1,925.13	1.25%	\$18,146.22	\$308.02	\$0.00	\$18,454.24	\$291,799.54	\$0.00	\$17,600.00
12/01/35	\$16,322.47	\$1,823.75	1.25%	\$18,146.22	\$291.80	\$0.00	\$18,438.02	\$275,477.07	\$1,600.00	\$19,200.00
06/01/36	\$16,424.49	\$1,721.73	1.25%	\$18,146.22	\$275.48	\$0.00	\$18,421.70	\$259,052.58	\$0.00	\$19,200.00
12/01/36	\$16,527.14	\$1,619.08	1.25%	\$18,146.22	\$259.05	\$0.00	\$18,405.27	\$242,525.44	\$1,600.00	\$20,800.00
06/01/37	\$16,630.44	\$1,515.78	1.25%	\$18,146.22	\$242.53	\$0.00	\$18,388.75	\$225,895.00	\$0.00	\$20,800.00
12/01/37	\$16,734.38	\$1,411.84	1.25%	\$18,146.22	\$225.90	\$0.00	\$18,372.12	\$209,160.62	\$1,600.00	\$22,400.00
06/01/38	\$16,838.97	\$1,307.25	1.25%	\$18,146.22	\$209.16	\$0.00	\$18,355.38	\$192,321.65	\$0.00	\$22,400.00
12/01/38	\$16,944.21	\$1,202.01	1.25%	\$18,146.22	\$192.32	\$0.00	\$18,338.54	\$175,377.44	\$1,600.00	\$24,000.00
06/01/39	\$17,050.11	\$1,096.11	1.25%	\$18,146.22	\$175.38	\$0.00	\$18,321.60	\$158,327.33	\$0.00	\$24,000.00
12/01/39	\$17,156.67	\$989.55	1.25%	\$18,146.22	\$158.33	\$0.00	\$18,304.55	\$141,170.66	\$1,600.00	\$25,600.00
06/01/40	\$17,263.90	\$882.32	1.25%	\$18,146.22	\$141.17	\$0.00	\$18,287.39	\$123,906.76	\$0.00	\$25,600.00
12/01/40	\$17,371.80	\$774.42	1.25%	\$18,146.22	\$123.91	\$0.00	\$18,270.13	\$106,534.96	\$1,600.00	\$27,200.00
06/01/41	\$17,480.38	\$665.84	1.25%	\$18,146.22	\$106.53	\$0.00	\$18,252.75	\$89,054.58	\$0.00	\$27,200.00
12/01/41	\$17,589.63	\$556.59	1.25%	\$18,146.22	\$89.05	\$0.00	\$18,235.27	\$71,464.95	\$1,600.00	\$28,800.00
06/01/42	\$17,699.56	\$446.66	1.25%	\$18,146.22	\$71.46	\$0.00	\$18,217.68	\$53,765.39	\$0.00	\$28,800.00
12/01/42	\$17,810.19	\$336.03	1.25%	\$18,146.22	\$53.77	\$0.00	\$18,199.99	\$35,955.20	\$1,600.00	\$30,400.00
06/01/43	\$17,921.50	\$224.72	1.25%	\$18,146.22	\$35.96	\$0.00	\$18,182.18	\$18,033.70	\$0.00	\$30,400.00
12/01/43	\$18,033.70	\$112.52	1.25%	\$18,146.22	\$18.03	\$0.00	\$18,164.25	\$0.00	\$1,600.00	\$32,000.00
<b>Totals</b>	<b>\$640,469.00</b>	<b>\$85,379.80</b>		<b>\$725,848.80</b>	<b>\$13,660.78</b>	<b>\$0.00</b>	<b>\$739,509.58</b>		<b>\$32,000.00</b>	

Created by KIA on 07/31/2023

EXHIBIT G  
TO  
ASSISTANCE AGREEMENT

ADDITIONAL COVENANTS AND AGREEMENTS

\* \* \* \* \*

None.

**A. BUSINESS (Board Action Required)**

**1. APPROVAL OF MINUTES**

*For: KIA Regular Board Meeting of August 4, 2022*

*Mr. Bob Amato moved to approve the minutes of the August 4, 2022, regular board meeting. Ms. Linda Bridwell seconded, and the motion carried unanimously.*

**B. NEW PROJECTS/ACTION ITEMS**

**1. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ELECTION OF VICE CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY**

*Mr. Russ Rose nominated Mr. Bob Amato to serve as Vice Chair. Nominations ceased. Ms. Linda Bridwell seconded, and the motion was unanimously approved.*

**2. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ELECTION OF FIRST VICE CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY**

*Mr. Bob Amato nominated Mr. Russ Rose to serve as First Vice Chair. Nominations ceased. Ms. Linda Bridwell seconded, and the motion was unanimously approved.*

**3. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B22-003) FOR AN AMOUNT UP TO \$640,469 TO THE BATH COUNTY WATER DISTRICT, BATH COUNTY, KENTUCKY**

Mr. John Brady, KIA, discussed the Bath County Water District's request for a Fund B Loan, (B22-003) for an amount up to \$640,460 for the BCWD Improvements and Upgrades project. This project consists of several improvements and rehabilitations to the water system's aging infrastructure. The scope of work includes repairs to six water tanks, construction of a new pump station, and upgrading another pump station.

The Salt Lick, Perry Road Tower, Means, Ore Mines, Olympia, and Owingsville water tanks will all be repaired, cleaned, and painted. The existing 1,000 gallon per minute (gpm) Ore Mines pump station is experiencing severe corrosion and is at risk of failure. It will be removed, and a new 1,500 gpm pump station will be constructed in its place. Upgrades to the Midland pump station will include increasing to 1,500 gpm, new internal piping, new flow meters, and electrical improvements. Approximately 330 linear feet of new waterline will be installed to improve water distribution and avoid service disruptions during times of repair in the area.

The BCWD currently serves 3,970 residential customers and 103 commercial and industrial customers. They purchase water from the Morehead Utility Plant Board and

provide wholesale service to the City of Owingsville, Sharpsburg Water District, and the City of Frenchburg.

***Ms. Linda Bridwell abstained from voting. Judge Mark McKenzie made the motion to approve the Bath County Water District's request for a Fund B Loan, (B22-003), for an amount up to \$640,469 with the standard conditions. Mayor Les Stapleton seconded, and the motion was unanimously approved.***

**4. A RESOLUTION OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES**

This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under this resolution.

<b><u>BORROWER</u></b>	<b><u>FUND</u></b>	<b><u>AMOUNT UP TO</u></b>
Bath County Water District	B22-003	\$640,469

**Ms. Linda Bridwell made the motion to approve the Capital Reimbursement Resolution. Mr. Bob Amato seconded and the motion was unanimously approved.**

**II. EXECUTIVE DIRECTOR'S REPORT**

Director Sandy Williams addressed the group and welcomed Mr. Andy Luttner, as proxy for Secretary Jeff Noel, for the Cabinet for Economic Development. She noted that their previous proxy, Kristina Slattery is on maternity leave and welcomed a baby boy on 9/20. She and baby Ty are doing well. Congratulations to them.

The Cleaner Water Program Grants, Round One, have 404 projects, 250 of those have received Assistance Agreements and the remainder of the projects are in various stages of returning required documentation to receive their Assistance Agreement.

Round Two of the Cleaner Water Grants program, has 67 counties with projects in the WRIS, which represents another 227 projects. We are almost to 700 grants. Staff is incredibly busy but handling the workload as well as can be expected. We are in the process of recruiting new staff members and hope to have them on board very soon.

The State Revolving Fund (SRF) Intended Use Plan, (IUP) for both the Clean Water and Drinking Water programs have been published. On October 13<sup>th</sup> at 2:30, we will have the public meeting, should anyone have comments.

The Call for Projects for the next funding cycle is now open and runs through December 16<sup>th</sup>.

There is a lot of funding available, several new sources through the Bipartisan Infrastructure Law, (BIL). On the Clean Water side, there are two new types of funding:



Supplemental and Emerging Contaminants. Drinking Water has three: Supplemental, Emerging Contaminants and Lead Service Line Replacement.

### III. ANNOUNCEMENTS/NOTIFICATIONS

Next regularly scheduled KIA board meeting:  
**Thursday, November 3, 2022, at 1:00 p.m.**

Commissioner Keene announced that should nothing major happen, in-person meetings will resume with the January 2023 meeting. Should anyone not be able to attend, the ZOOM capability will be available.

***There being no further business, Mr. Russ Rose moved to adjourn. Ms. Linda Bridwell seconded, and the motion carried unanimously. The October 6, 2022, meeting of the Board of the Kentucky Infrastructure Authority was adjourned.***

Submitted by:

Margaret F. Link

Kentucky Infrastructure Authority Secretary

October 12, 2022

Date

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**October 27, 2022**

### **Call to Order and Roll Call**

The October meeting of the Capital Projects and Bond Oversight Committee was held on Thursday, October 27, 2022, at 2:00 PM, in Room 169 of the Capitol Annex. Senator Jason Howell, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jason Howell, Co-Chair; Representative Chris Freeland, Co-Chair; Senators Rick Girdler and Robin L. Webb; Representatives Keturah Herron, Jason Petrie, and Walker Thomas.

Guests: Leslie Geoghegan, Chair, Louisville Arena Authority; Tom Liston, Finance Committee Chair, Louisville Arena Authority; Don Parkinson, Board Member, Louisville Arena Authority; Chip Sutherland, Managing Director, Baird; Meg Campbell, Assistant Vice President of University Planning, Design, and Construction, University of Louisville; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Joe Sanderson, Division Director for Facilities Management, Department of Military Affairs, General Government Cabinet; Pat Grugin, Executive Director, Office of Support Services, Transportation Cabinet; Jennifer Linton, Executive Director, Office of Facility Development and Efficiency, Department for Facilities and Support Services, Finance and Administration Cabinet; Milward Dedman, Deputy Executive Director, Kentucky Infrastructure Authority; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Spring Emerson, and Liz Hardy.

### **Approval of Minutes**

Representative Girdler moved to approve the September 29, 2022 meeting minutes. Co-Chair Freeland seconded the motion, and the committee approved without objection.

### **Information Items**

Pursuant to KRS 26A.168(1), KRS 45.793, and KRS 45.818; the Administrative Office of the Courts; the Finance and Administration Cabinet, with the Commonwealth Office of Technology reporting independently; and postsecondary institutions managing their own capital construction under KRS 164A.580 transmitted quarterly capital project status reports. Pursuant to KRS 45.760(9), the Administrative Office of the Courts and postsecondary institutions managing their own capital construction under KRS 164A.580

transmitted annual capital projects reports. Pursuant to KRS 45.812(1), seven school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects through their fiscal agents. The school districts were Bardstown Independent (Nelson County), Casey County, Fayette County, Ludlow Independent (Kenton County), Menifee County, Newport Independent (Campbell County), and Paris Independent (Bourbon County). Pursuant to KRS 45A.180(2), Western Kentucky University reported its intent to use the construction management-at-risk project delivery method for its Construct New Gordon Ford College of Business project authorized in House Bill 1. Pursuant to KRS 56.863(11), the Kentucky Asset/Liability Commission transmitted its semi-annual report through the Office of Financial Management. Pursuant to House Bill 1, Eastern Kentucky University and WKU reported their planned Postsecondary Education Asset Preservation Pool projects.

### **Louisville Arena Authority Prepayment Plan**

Ms. Geoghegan submitted the Louisville Arena Authority's (LAA) alternative payment plan for the \$58.77 million in debt eligible to be retired, without payment of a premium, December 1 of this year. LAA's 2017 refinancing of its prior debt allowed it to meet its financial obligations, particularly debt service and capital improvements; thereby maintaining its investment grade rating during the pandemic. From 2018 through 2020, LAA's annual interest-only debt service, paid semiannually, was around \$17 million. Principal payments started December 1, 2021, which increased the annual debt service to approximately \$21 million.

Of the estimated \$59 million negative revenue impact from the pandemic, roughly \$35 million relates to the decrease in Tax Increment Financing (TIF) sales tax revenue (two years of actual losses plus estimated future losses through 2025). LAA received \$12.5 million in TIF sales tax revenue for tax year 2019, did not receive any TIF sales tax revenue for tax year 2020, and will only be receiving around \$4.8 million in TIF sales tax revenue for tax year 2021.

With the \$12 million of American Rescue Plan Act funding through House Bill 1 and the additional \$1.2 million from Metro Louisville, LAA's board has approved a \$30.9 million prepayment towards the \$58.77 million. This allows a \$25 million contingency, which would cover approximately one year of debt service if LAA encounters unforeseen circumstances, until TIF sales tax revenue have recovered. Using the \$30.9 million to prepay now versus the entire \$55.9 million balance of excess funds would impact the final payment date by a few months. Depending on the recovery and growth of the TIF sales tax base, LAA expects to prepay the remainder of the December 1 bond balance redeemable without payment of a premium, approximately \$27.9 million, over the next three years by 2025, the year it projects TIF sales tax revenue to recover.

Representative Thomas moved to approve LAA's alternate prepayment plan, Senator Girdler seconded the motion, and the committee approved by unanimous roll call vote.

### **Lease Report – University of Louisville**

Ms. Campbell submitted a new lease for the Office of the Executive Vice President of Research and Innovation space in the 515 Building, donated to the university by Humana to consolidate the Health Equity Innovation Hub's operations.

Co-Chair Freeland moved to approve the lease, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

### **Project Report – Finance and Administration Cabinet**

Ms. Tomes submitted three new Department of Military Affairs (DMA) readiness center interior restoration projects (amended) and a fifteen percent Transportation Cabinet appropriation increase requiring action and reported two pool allocations requiring no action. Representative Thomas moved to roll them into one roll call vote, Co-Chair Freeland seconded the motion, and the committee approved without objection.

The first DMA project was the \$2.5 million Danville Readiness Center Interior Restoration. The committee originally approved the project, \$1.25 million in National Guard Bureau Minor Construction federal funds and the other half from the general funded portion of the Modernization Pool – National Guard, at its July 2022 meeting. The amended project approval changes the allocation from fifty percent federal and fifty percent state funding to seventy-five percent, \$1.875 million, federal and twenty-five percent, \$625,000, state funding. Of the \$625,000 in state funding, \$555,850 comes from the general funded portion of the Modernization Pool – National Guard and \$69,150 from DMA's 2020-2022 investment income maintenance pool. The renovation is a complete interior renovation of the facility including upgrades to the electrical and HVAC systems, flooring, latrines, lighting, and walls as well as installation of anti-terrorism force protection windows and lactation room. The Kentucky National Guard plans to station the 223rd Military Police Company in the facility, constructed in 1954, after the renovation.

The next two DMA projects were approved by the committee at its August 2021 meeting and among seven projects that DMA requested to be fully funded with military operations and maintenance master cooperative agreement federal funds under COVID guidelines. The Murray Readiness Center Interior Restoration did not fit within the federal annual allotment therefore, the amended project approval includes fifty percent state funding as well as a \$258,300 increase to \$2,208,300. Of the \$1,104,150 in state funding; \$1,041,219.50 comes from DMA's 2020-2022 investment income maintenance pool and \$62,930.50 from the general funded Armory Installation Facility Maintenance Pool. The renovation involves selective demolition (the communications, data, electrical, and mechanical systems will need to be disassembled also) and subsequent upgrades to the

ceilings, doors, flooring, HVAC, latrines, lighting, and storage as well as installation of anti-terrorism force protection windows/storefront and lactation room. The project also converts the rifle range to a classroom, as well as a training/simulation devices room, to house a five-lane engagement skills simulator. The facility was constructed in 1985.

For the Jackson Readiness Center Interior Restoration, the amended project approval was \$2.466 million; a \$566,000 increase in the cooperative agreement federal funds from the original \$1.9 million due to the escalation in bid climate. The renovation includes selective demolition (the communications, data, electrical, and mechanical systems will need to be disassembled also) and subsequent upgrades to the ceilings, doors, flooring, and latrines, as well as, installation of blast protectant windows/storefront. The facility was constructed in 1984.

In response to a query, Mr. Sanderson said that there are no longer firing ranges in the armories due to lead contamination. The Wendell H. Ford Regional Training Center has ranges for National Guard training.

The fifteen percent (\$1.8 million) appropriation increase for the Transportation Cabinet, General Administration and Support, District 6 Office and Materials Lab road funded project in Kenton County, raised the project amount to \$13.8 million from the line-item amount of \$12 million in the Transportation appropriation bill (as amended by House Bill 490). The increase was due to higher than budgeted construction costs and, as required by KRS 45.760(6)(e), will be paid out of the KRS 45.247 Highway Construction Contingency account.

In response to Representative Petrie, Mr. Grugin said that they value engineered the project since initiation and that there is a health and safety issue with the current facility.

Ms. Tomes said that capital project amounts in appropriations bills are estimates, that the District 6 project amount was based on the actual bid, and that there are cost escalations with the authorized capital projects. The Finance and Administration Cabinet pursues rebidding and/or reducing the project scope before requesting an appropriation increase. In response to Co-Chair Howell, Ms. Linton stated that agencies were finalizing their biennial budget requests in October 2021 and that nearly a year elapsed since the estimates and receipt of bids.

In response to Representative Petrie, Ms. Linton said that they work closely with their consultants for accurate estimates and ways to reduce scope while preserving the functionality of the buildings and ability to receive successful bids. Representative Petrie said that delays in initiating projects in the current construction environment with escalating project costs may invite more scrutiny about needs versus wants.

Representative Thomas moved to roll the three new DMA projects (amended) and KTYC appropriation increase into one roll call vote, Senator Webb seconded the motion, and the committee approved by unanimous roll call vote.

The first pool allocation was for the Finance and Administration Cabinet, Department for Facilities and Support Services (DFSS), \$2,816,020 CHR Central Utility Plant Optimization project; a mechanical renovation, including controls, to the Cabinet for Human Resources's central utilities plant which serves the Cabinet for Human Resources Building, Health Services Building, Commonwealth Office of Technology, and the Jones Building, funded from DFSS's 2020-2022 and 2022-2024 bond-funded maintenance pools. The other was the Justice and Public Safety Cabinet, Department of Corrections, Adult Correctional Institutions \$2,406,500 Roederer Correctional Complex (RCC) Kitchen Drain Line Repair/Replacement project; repair/replacement of RCC's failing kitchen sewage system involving drain lines, kitchen floor, grease trap, lift station, and temporary kitchen, funded from the 2020-2022 bond-funded (\$391,500) and 2022-2024 general fund (\$2.015 million) maintenance pools.

In response to Senator Webb, Ms. Tomes said the kitchen sewage system was the only failing sewage system in the facility.

### **Report from the Office of Financial Management Kentucky Infrastructure Authority**

Mr. Dedman submitted an Infrastructure Revolving Fund (Fund B) Program loan and eleven Cleaner Water Program (CWP) grant reallocations. Senator Girdler moved to roll them into one roll call vote, Senator Webb seconded the motion, and the committee approved without objection.

The Bath County Water District (BCWD) requested a \$640,469 Fund B loan for its \$1,491,477 BCWD Improvements and Upgrades; several improvements and repairs to the water system's aging infrastructure including rehabilitation of six water tanks, construction of a new pump station, and upgrade of an existing pump station. The loan term is twenty years with a one and a quarter percent interest rate. The eleven proposed CWP grant reallocations are from the county pool, one sewer and ten water projects.

Senator Girdler moved to approve the Fund B loan and eleven CWP grant reallocations, Senator Webb seconded the motion, and the committee approved by unanimous roll call vote.

### **Office of Financial Management - New and Previous Debt Issues New Debt Issue**

Mr. Barrow submitted a new Kentucky Housing Corporation (KHC) conduit debt issue; the Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Richwood Bend), Series 2022, \$10 million net proceeds with a \$19.8 million project cost for an 84-

unit residential rental facility in Lexington. KHC conduit debt issues are applied towards the state's private activity volume cap for the tax-exemption and affect neither the Commonwealth's nor KHC's financials. Co-Chair Freeland moved to approve the new KHC conduit debt issue, Senator Webb seconded the motion, and committee approved by approved by unanimous roll call vote.

### **Previous Debt Issues**

Mr. Barrow referenced the Municipal Market Data ten-year rate increases since January totaling over 200 basis points and reported three previous debt issues, which priced prior to recent rate increases. The first was a postsecondary general receipts debt issue, University of Kentucky (UK) General Receipts Bonds, 2022 Series B (\$67.825 million) and 2022 Taxable Series C (\$22.850 million); which financed UK's \$23.13 million fiscal year 2023 Postsecondary Education Asset Preservation Pool match and \$74 million of its reauthorized Facilities Renewal and Modernization pool. The competitively-sold transaction priced August 16 with a 3.40 percent true interest cost for the twenty-year Series B and a 3.48 percent true interest cost for the seven-year Series C. Janney Montgomery Scott (Series B) and PNC Capital Markets (Series C) were the purchasers. The second was a conduit debt issue; the Kentucky Economic Development Finance Authority (KEDFA) Healthcare Facilities Refunding Revenue Bonds, Series 2022, Carmel Manor, Inc. Project (The Carmelite System, Inc. Obligated Group Guaranty); which affected neither the Commonwealth's nor KEDFA's financials. The final was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Crossings at South Park), Series 2022; \$22 million net proceeds with a \$41.312 million project cost for a 192-unit residential rental facility in Louisville. The KEDFA and KHC transactions priced September 22.

### **School District Debt Issues with School Facilities Construction Commission Debt Service Participation**

Mr. Barrow submitted four school district debt issues with School Facilities Construction Commission (SFCC) participation. Senator Webb moved to roll them into one roll call vote, Co-Chair Freeland seconded the motion, and the committee approved without objection. The SFCC debt issues totaled \$37.5 million for new projects; 93.4 percent, \$35 million, with locally supported debt service and 6.6 percent, \$2.5 million, with SFCC debt service participation.

The four school districts, none of which needed an additional tax levy to pay debt service, were Bardstown Independent (Nelson County), Bath County, Casey County, and Nelson County. Senator Webb moved to approve the SFCC debt issues, Co-Chair Freeland seconded the motion, and the committee approved by unanimous roll call vote.

**Adjournment**

The next meeting will be held Thursday, November 17, 2022 at 2:00 PM in Room 169 of the Capitol Annex. There being no further business, the meeting was adjourned at 2:48 PM.



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BATH COUNTY	)	
WATER DISTRICT FOR A CERTIFICATE OF	)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO	)	2023-00097
CONSTRUCT AND FINANCE IMPROVEMENT	)	
PROJECTS PURSUANT TO 278.020 AND 278.300	)	

ORDER

On March 28, 2023, Bath County Water District (Bath District) tendered an application pursuant to KRS 278.020, KRS 278.300, and 807 KAR 5:001, Section 15, seeking financing approval and Certificates of Public Convenience and Necessity (CPCN) for improvements to two pump stations and the rehabilitation of six water storage tanks.<sup>1</sup> The application was initially found deficient, and Bath District cured the deficiencies on April 5, 2023. No party requested intervention in this proceeding. Bath District responded to two rounds of discovery. This matter now stands submitted for decision by the Commission.

BACKGROUND

Bath District is a water district organized under KRS Chapter 74<sup>2</sup> that provides retail water service to approximately 4,044 customers.<sup>3</sup> As of December 21, 2021, Bath

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<sup>1</sup> Application at 2.

<sup>2</sup> Application at 2.

<sup>3</sup> *Annual Report of Bath District to the Public Service Commission for the year ending December 31, 2021* (filed on Aug. 25, 2022) (2021 Annual Report) at 49.

District's plant in service was \$17,455,179.00, and its accumulated depreciation was \$7,550,313.00.<sup>4</sup>

#### Tank Rehabilitation Project

The first project for which Bath District requests a CPCN is a project to rehabilitate the following six water storage tanks: Salt Lick Tank, Perry Road Tank, Ore Mines Tank, Means Tank, Olympia Tank, and Owingsville Tank. Bath District provided copies of tank inspection reports for all six tanks.<sup>5</sup> The inspections reports stated that four of the tanks would need repairs completed within the next three years or sooner and that the Salt Lick Tank would need the most extensive repairs.<sup>6</sup> The reports also indicated that the Means Tank and the Olympia Tank were in excellent condition but recommended minor work to be completed within five years.<sup>7</sup> Bath District indicated that it was proposing to complete work based on those inspection reports for each of the six tanks.

Bath District stated that it considered three options to address the issues raised by the inspection reports: leaving the tanks as they are, rehabilitating the tanks, or replacing and rebuilding the tanks with new tanks.<sup>8</sup> Bath District stated that its consulting engineer thought that performing the rehabilitation work was the most practical and cost-effective option because the inspection reports indicated that the structural integrity of the tanks was good and it was apparent that rehabilitation would be less expensive than

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<sup>4</sup> 2021 Annual Report at 24–25.

<sup>5</sup> Bath District Tank Inspection Report (filed on Apr. 5, 2023).

<sup>6</sup> Bath District Tank Inspection Report (filed on Apr. 5, 2023).

<sup>7</sup> Bath District Tank Inspection Report (filed on Apr. 5, 2023).

<sup>8</sup> Bath Districts Response to Commission Staff's First Request for Information (Staffs First Request) (filed May 12, 2023), Item 9.

constructing new tanks.<sup>9</sup> Bath District also stated that it does not currently have any storage capacity issues at this time.<sup>10</sup>

Bath District estimated that it would approximately cost between \$400,000 and \$500,000 per tank to replace five of the tanks, and that it would cost over \$1 million to replace the Salt Lick Tank, and that the useful lives of the new tanks would be 37.5 years for each tank.<sup>11</sup> Conversely, Bath District estimated that the total cost to rehabilitate all the tanks would be approximately \$400,000,<sup>12</sup> and that rehabilitation would add about 20 years to the useful lives of the existing tanks.<sup>13</sup> Bath District indicated that there would only be negligible differences in operation and maintenance (O&M) expense between replacing and rehabilitating the tanks.<sup>14</sup>

### Pump Stations

The second project for which Bath District requests a CPCN is a project to replace the Ore Mines Pump Station and rehabilitate the Midland Pump Station.<sup>15</sup> Bath District indicated pumps, valves, and pipes at the Ore Mines Pump Station and Midland Pump Station were installed in 2005 and 1998, respectively, with an expected useful life of

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<sup>9</sup> Bath Districts Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 31, 2023), Item 9.

<sup>10</sup> Bath District's Response to Staff's First Request, Item 3.

<sup>11</sup> Bath District Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 31, 2023), Item 3(b).

<sup>12</sup> Application, Exhibit B, Bid Tabulation, at unnumbered page 2.

<sup>13</sup> Bath District's Response to Staff's First Request, Item 12.

<sup>14</sup> Bath District's Response to Staff's Second Request, Item 3(b).

<sup>15</sup> Application, Exhibit C at 1.

20 years.<sup>16</sup> Bath District stated that the two pump stations are pumping water 22 to 24 hours per day, which does not allow time for preventative maintenance. Bath District further explained that demand has increased in the areas served by the pump stations, putting a severe strain on the ability of the stations to deliver the water needed by the customer base.<sup>17</sup> Bath District explained that the Ore Mines Pump Station is particularly critical, and that approximately 4,000 customers within the district and two wholesale customers would be out of water if there was a failure at that station.<sup>18</sup>

Bath District stated that with the proposed projects, the Ore Mines Pump Station will increase from pumping 1,200 gallons per minute to 1,500 gallons per minute and the Midland Pump Station will increase from pumping 1,000 gallons per minute to 1,500 gallons per minute.<sup>19</sup> Bath District explained that this additional capacity will permit the stations to operate fewer hours per day and will allow them to serve an increase in demand.<sup>20</sup> In addition to the increased pumping capacity, Bath District stated that once the pump-station projects are complete, both stations will have redundancies in the number of pumps, controls, and valves that permit maintenance to be completed while the other pump in the station is still operational.<sup>21</sup>

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<sup>16</sup> Bath District's Response to Staff's First Request, Item 11.

<sup>17</sup> Bath District's Response to Deficiency Letter, Statement of Facts In support of Project.

<sup>18</sup> Bath District's Response to Deficiency Letter, Statement of Facts In support of Project.

<sup>19</sup> Bath District's Response to Staff's First Request, Item 3.

<sup>20</sup> Bath District's Response to Staff's First Request, Item 4; see *also* Bath District's Response to Staff's Second Request, Item 4 (indicating that the upgraded Midland Pump Station will only have to operate 12 to 16 hours a day at current demand).

<sup>21</sup> Bath District's Response to Staff's First Request, Item 6.

Bath District stated that it considered three options to address the issues with the Midland Pump Station.<sup>22</sup> Bath District first considered whether the Morehead Utility Plant's new regional water treatment plant could be used to replace the pumping station.<sup>23</sup> However, upon hydraulically reviewing the possibility, it was determined that it would not be possible to achieve the necessary flows and pressures.<sup>24</sup>

Bath District indicated that it next considered the complete replacement of the Midland Pump Station along the lines of the project proposed for the Ore Mines Pump Station.<sup>25</sup> Bath District estimated cost of replacing the pump station to be \$500,000.<sup>26</sup> However, Bath District stated that constructing a new building for the pumping station was not necessary, because the building is in satisfactory condition with only minor repairs needed.<sup>27</sup> Thus, Bath District stated that replacement of the Midland Pump Station was not necessary and would not be cost-effective as compared to its proposal to rehabilitate the pumping station.

The option that Bath District proposes in this matter to address the Midland Pump Station is rehabilitating the pump station, which includes upgrading the pumps, controls, and piping, and making minor upgrades to the building such as replacing its roof to extend its life. Bath District explained that this option does require the use of a temporary pump during the rehabilitation but extends the life of the pumping station and increases the

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<sup>22</sup> Bath District's Response to Staff's First Request, Item 10.

<sup>23</sup> Bath District's Response to Staff's First Request, Item 10.

<sup>24</sup> Bath District's Response to Staff's First Request, Item 10.

<sup>25</sup> Bath District's Response to Staff's First Request, Item 10.

<sup>26</sup> Bath District's Response to Staff's Second Request, Item 4.

<sup>27</sup> Bath District's Response to Staff's First Request, Item 10.

pumping capacity of the station. Further, the current bid for rehabilitating the pump station is \$284,678.<sup>28</sup>

Bath District indicated that it only considered two options with respect to the Ores Mines Pump Station: either doing nothing or replacing the station in its entirety.<sup>29</sup> Bath District stated that doing nothing was not an option, because the piping is undersized for current flow rates and the pump station is currently required to operate 24 hours per day during peak operating times, which limits when necessary maintenance and repairs can be completed.

Bath District determined that it was necessary to fully replace the station as a result of the undersized piping and the station being a chlorine booster point. Bath District stated that due to the corrosive nature of the chlorine the equipment its estimates that the equipment and structure are near the end of their useful life.<sup>30</sup> In response to request for information, Bath District further explained that rehabilitation along the lines of the project proposed for the Midland Pump Station would not work for the Ore Mines Pump Station, because the chlorine has resulted in severe deterioration of the building structure and the piping inside the structure is not large enough to pump at required flow rate or to pump any additional water in the future.<sup>31</sup> Bath District indicated that it based its analysis on “hydraulics, visual inspection, age of the equipment/structure, known deficiencies, criticality, energy efficiency, and regulatory concerns.”<sup>32</sup>

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<sup>29</sup> Bath District’s Response to Staff’s First Request, Item 10.

<sup>29</sup> Bath District’s Response to Staff’s First Request, Item 10.

<sup>30</sup> Bath District’s Response to Staff’s First Request, Item 10.

<sup>31</sup> Bath District’s Response to Staff’s Second Request, Item 4.

<sup>33</sup> Bath District’s Response to Staff’s First Request, Item 11.

Bath District estimated that replacement of the Ore Mines Pump Station will extend the useful life of the equipment from 2 to 20 years, and the building from zero to 37.5 years.<sup>33</sup> Regarding the Midland Pump Station, Bath District estimated that rehabilitation would result in the installation of equipment with a useful life of about 20 years as compared the current equipment, which is currently five years beyond its estimated useful life.<sup>34</sup>

#### Bid Review

Bath District stated that in reviewing any bids received it would consider the qualifications and experience of the bidder, subcontractors, and suppliers,<sup>35</sup> and that the consulting engineers and Bath District would check references and will consider their past experiences with the contractor.<sup>36</sup> Bath District stated that if it has had a bad experience or receives a bad reference for the low bidder, it might disqualify that contractor.<sup>37</sup> Bath District will also take into consideration the bonding ability of the contractor.<sup>38</sup>

#### Financing

Bath District proposes to fund the projects through a 20-year loan from the Kentucky Infrastructure Authority (KIA) Fund B in the amount of \$640,469.00 with a 1.25 percent interest rate and a contribution of \$851,008 in Cleaner Water grant funds.<sup>39</sup>

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<sup>33</sup> Bath District's Response to Staff's First Request, Item 11.

<sup>34</sup> Application at 2.

<sup>35</sup> Bath District's Response to Staff's First Request, Item 1.

<sup>36</sup> Bath District's Response to Staff's First Request, Item 1.

<sup>37</sup> Bath District's Response to Staff's First Request, Item 1.

<sup>38</sup> Bath District's Response to Staff's First Request, Item 1.

<sup>39</sup> Bath District's Deficiency Response, Attachment 5 (filed on Apr. 5, 2023).

Bath District stated that the debt associated with these projects was considered in its most recent Alternative Rate Filing,<sup>40</sup> and therefore, it is not seeking a rate increase as part of this application.<sup>41</sup>

### LEGAL STANDARD

The commission's standard of review regarding a CPCN is well settled. No utility may construct or acquire any facility to be used in providing utility service to the public until it has obtained a CPCN from this Commission.<sup>42</sup> To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.<sup>43</sup>

"Need" requires:

[A] showing of a substantial inadequacy of existing service, involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed or operated.

[T]he inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management, or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.<sup>44</sup>

"Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary

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<sup>40</sup> Case No. 2022-00404 *Electronic Application of Bath County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed on Dec. 15, 2022).

<sup>41</sup> Bath District's Response to Staff's First Request, Item 8.

<sup>42</sup> KRS 278.020(1). Although the statute exempts certain types of projects from the requirement to obtain a CPCN, the exemptions are not applicable.

<sup>43</sup> *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 252 S.W.2d 885 (Ky. 1952).

<sup>44</sup> *Kentucky Utilities Co.*, 252 S.W.2d 885, 890.



multiplicity of physical properties.”<sup>45</sup> To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.<sup>46</sup> Although cost is a factor, selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.<sup>47</sup> All relevant factors must be balanced.<sup>48</sup>

KRS 278.300 requires Commission authorization before a utility may “issue any securities or evidence of indebtedness or assume any obligation or liability in respect to the securities or evidence of indebtedness of any other person.”<sup>49</sup> KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

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<sup>45</sup> Kentucky Utilities Co., 252 S.W.2d 885, 890.

<sup>46</sup> Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005), Order at 11.

<sup>47</sup> See *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 390 S.W.2d 168, 175 (Ky. 1965). See also Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005), Order at 6.

<sup>48</sup> Case No. 2005-00089, Aug. 19, 2005 Order at 6.

<sup>49</sup> KRS 278.300(1).

## DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the CPCNs should be granted. As noted above, the water storage tanks were reviewed by an independent contractor in April 2021, who recommended that certain repairs, consistent with the proposed the rehabilitation work, be completed on the six tanks at issue within three to five years. Those reports are specific to each tank and discuss in detail the work recommended based on the condition of each tank. Further, Bath District worked with a consulting engineer to develop the tank rehabilitation projects to address the issues raised in the inspection reports. Thus, the Commission finds that there is a need for the tank rehabilitation projects.

Similarly, the evidence indicates that the relevant equipment at the Ore Mines Pump Station and the Midland Pump Station has reached or is nearing the end of its useful life based on expected years of service developed by National Association of Regulatory Utility Commissioners (NARUC).<sup>50</sup> Bath District's consulting engineer, who responded to all requests for information on behalf of Bath District, also explained, as discussed above, that the pumps and other equipment are insufficient to meet the current demand on the portions of the system served by the stations; therefore, the pumps are running 22 to 24 hours a day, and the available time to complete repairs and general maintenance without interrupting the water supply is limited. Bath District's consulting engineer explained that the project will decrease the run time of each pump, add in redundancies, and increase the gallons per minute each station can move. As stated

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<sup>50</sup> See Bath District's Response to Staff's Second Request, Item 11 (in which Bath District's engineering consultant indicated that the date the equipment was installed, and the expected useful life based on NARUC standards).

above, the Ore Mines Pump Station is also a chlorine booster station, which has caused significant corrosion to the building and equipment. Without replacing the Ore Mines Pump Station and rehabilitating the Midland Pump Station, Bath District risks a failure of the pump stations that could result in a significant loss of service. Thus, the Commission finds that the proposed pump station project is needed.

Bath District also established that the projects will not result in wasteful duplication. Bath District considered three alternatives for the water storage tanks, doing nothing, rehabilitation the tanks, or replacing the tanks. As discussed above, the rehabilitation work on the storage tanks is necessary so doing nothing to maintain the tanks would not be prudent. Bath District considered replacing the tanks, but the consulting engineer estimated that replacing a single tank would cost the same or more than all the proposed rehabilitation work with negligible differences in O&M expense.<sup>51</sup> Further, the evidence indicates that fully replacing or expanding the tanks is not necessary such that additional cost would not be justified, because the current tanks have not reached the end of their expected useful lives, the existing tanks are structurally sound, and Bath District does not have any storage capacity issues. Thus, the Commission finds that Bath District established that its tank rehabilitation project will not result in wasteful duplication, and therefore, that a CPCN should be granted for that project.

Bath District discussed two alternatives to replacing the Ore Mines Pump Station: doing nothing and rehabilitating the station. However, as discussed above, the equipment

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<sup>51</sup> See Bath District's Response to Commission Staff's Second Request, Item 3(b) (indicating the estimated cost of the tank replacements and that there would only be negligible differences in O&M expense); Application, Exhibit B, Bid Tabulation at unnumbered page 2 (indicating the estimated cost of the proposed rehabilitation projects).

at both pump stations at issue in this case has or is reaching the end of its useful life and additional capacity is needed at the pump stations. As such, doing nothing was not an option as it would pose a significant risk of loss of service. Further, while rehabilitation of the station along the lines of that proposed for the Midland Pump Station would potentially be cheaper, Bath District's consulting engineer credibly explained that rehabilitation would not be feasible in the case of the Ore Mines Pump Station, because the structure that houses the equipment has been significantly damaged by chlorine and the piping at the station was insufficient to handle the capacity needed. Thus, the Commission finds that Bath District established that its replacement of the Ore Mines Pump Station will not result in wasteful duplication, and, therefore, that a CPCN should be granted for that project.

Regarding the Midland Pump Station, Bath District considered three options, using the Morehead Utility Plant Board's new regional water treatment plant, replacing the pumping station at a new location, or rehabilitating the station by upgrading pumps, controls, piping, and the building. Upon consulting with the Morehead Utility Plant Board, Bath District determined that it was not hydraulically feasible to use the new water treatment plant. Further, replacing the pump station would have been overly costly as the structure was still sound and replacing it would require acquiring new property. The estimated capital costs of replacing the station were \$500,000 as compared to \$284,678 for rehabilitating the station, and the operating and maintenance costs would be similar to rehabilitation. Thus, Commission finds that Bath District established that its rehabilitation of the Midland Pump Station will not result in wasteful duplication, and, therefore, that a CPCN should be granted for that project.

Bath District is proposing to finance the projects discussed above with a 20 year loan issued by KIA in the amount of \$640,469 with an annual interest rate of 1.25 percent, and a \$851,008 Cleaner Water Grant, and requests approval of the proposed financing pursuant to KRS 278.300(1). The Commission finds that the financing is necessary for the completion of the projects discussed above and will not impair Bath District's ability to provide service. In fact, as noted above, the Commission finds that the projects at issue are necessary and will not result in wasteful duplication. Further, as the loan is being issued by KIA, the rates and terms are extremely favorable. Furthermore, Bath District will not need to increase its rates as a result of the financing as it was already accounted for in Bath District's most recent Alternative Rate Filing.<sup>52</sup> Thus, the Commission finds that the financing for which Bath District requests approval is for a lawful object within the corporate purposes of Bath District's utility operations, is necessary and appropriate for and consistent with the proper performance of Bath District's service to the public, will not impair Bath District's ability to perform that service, and is reasonably necessary and appropriate for such purposes, and, therefore, the Commission finds that approval of the financing should be granted.

IT IS THEREFORE ORDERED that:

1. Bath District is granted a CPCN to rehabilitate the six water storage tanks, to rehabilitate the Midland Pump Station, and to replace the Ore Mines Pump Station as set forth in its application.

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<sup>52</sup> Case No. 2022-00404, *Electronic Application of Bath County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed on Dec. 15, 2022).

2. Bath District shall immediately notify the Commission upon knowledge of any material changes to the projects, including but not limited to increase in cost and any significant delays.

3. Any material deviation from the construction approved by this Order shall be undertaken only with prior approval of the Commission.

4. Bath District shall file with the Commission documentation of the total costs of the projects, including the cost of construction and all other capitalized costs (e.g., engineering, legal, administrative, etc.) within 60 days of the date that construction authorized under this CPCN is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

5. Bath District shall file a copy of the as-built drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

6. Bath District is authorized to issue the evidences of debt requested subject to the conditions discussed herein.

7. The proceeds from the issue of the evidences of debt authorized shall be used only for the lawful purposes set out in the application.

8. Bath District shall only execute the KIA loan documents to the extent their terms and conditions are consistent with the loan described in its application, except as otherwise authorized herein.

9. Bath District shall file the KIA loan documents in this matter within ten days of the executing them.

10. Any documents filed in the future pursuant to ordering paragraphs 4, 5, and 9 shall reference this case number and shall be retained in the post case correspondence file.


11. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Bath District's showing of good cause for such extension.

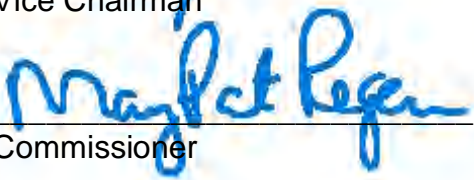
12. This case is closed and removed from the Commission's docket.

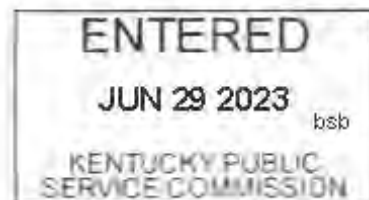
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner



ATTEST:

  
Executive Director



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