

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

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

McCreary County Water District
(Name of Utility)

P.O. Box 488

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

Whitley City, Kentucky 42653
(Business Mailing Address - City, State, and Zip)

606-376-2540
(Telephone Number)

BASIC INFORMATION

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

Stephen Whitaker, Superintendent
(Name)

Highway 27 P.O. Box 488
(Address - Number and Street or P.O. Box)

Whitley City, Kentucky 42653
(Address - City, State, Zip)

606-376-2540
(Telephone Number)

S.Whitaker@mccrearywater.com
(Email Address)

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

YES NO N/A

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

YES NO N/A

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

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)** ☒ ☐
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2023.^{*} ☒ ☐
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)** ☒ ☐
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 747,980 and total revenues from service rates of \$ 5,328,865. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)** ☒ ☐
12. As of the **date of the filing of this application**, Applicant had 6,285 customers. ☒ ☐
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)** ☒ ☐
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)** ☒ ☐
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds. ☒ ☐
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution). ☒ ☐ ☐
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness. ☒ ☐ ☐

YES NO N/A

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

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

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

Signed Stephen Whitaker
 Officer of the Company/Authorized Representative

Title Superintendent

Date 5/16/25

COMMONWEALTH OF KENTUCKY

COUNTY OF MCCREARY

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

Kathy Inell
 Notary Public

My commission expires: 7/13/2026

Notary ID No. KV NP 52405

* This statement is modified or further explained in the "Addendum to Application." The contents of the "Addendum to Application" are incorporated by reference into this statement.

ADDENDUM TO APPLICATION

McCreary County Water District's ("the District") most recent annual report on file with the Public Service Commission is for the year ending December 31, 2023. Pursuant to 807 KAR 5:006, Section 4(2), it is required to file an annual report for the preceding year no later than March 31 of the following year unless a request for an extension of time to submit the report is submitted to the Commission and the Commission's Executive Director finds good cause exists to extend the time period for submission. On March 13, 2025, the District submitted a written request for an extension of time to submit its annual reports for the year ending December 31, 2024. (See Exhibit 1 to Addendum.) On March 18, 2025, the Manager of the Commission's Filings Branch, on behalf of the Commission's Executive Director, granted this request and authorized the District to submit its annual reports no later than May 30, 2025. (See Exhibit 2 to Addendum.)

807 KAR 5:076, Section 2(3) permits a utility to file an application for rate adjustment under the procedures of 807 KAR 5:076 if, among other things, the utility has "[f]iled with the commission fully completed annual reports for the immediate past year and for the two (2) prior years if the utility has been in existence that long." 807 KAR 5:076, Section 1(2) defines "Annual report for the immediate past year" to include "an annual report that covers the applicant's operations for . . . [t]he most recent calendar year period that 807 KAR 5:006, Section 4(1), requires the applicant to have on file with the commission as of the date of the filing of its application for rate adjustment."

As of the date of submission of this Application, the District has not yet submitted its annual reports for the year ending December 31, 2024. As a result of the Executive Director's grant of the District's request for an extension, the "annual report for the immediate past year" is the District's annual report for the year ending December 31, 2023. References in its application to an annual report for the "past year" or "immediate past year" are to the annual report for the year ending December 31, 2023, and references to annual reports for "the two previous years" are to annual reports for the years ending December 31, 2021 and December 31, 2022.

The District provides water and sewer services and maintains separate records for each operation. During the year ending December 31, 2023, the total annual revenues for the District's combined operations exceeded \$5,000,000. However, neither its water operations or sewer operations individually had gross annual revenues in that year that exceeded \$5,000,000.

EXHIBIT 1 TO ADDENDUM TO APPLICATION



GERALD WUETCHER
DIRECT DIAL: (859) 231-3017
DIRECT FAX: (859) 259-3517
gerald.wuetcher@skofirm.com

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093

March 13, 2025

Ms. Linda C. Bridwell, P.E.
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615
Email: psced@ky.gov
Email: psc.reports@ky.gov

VIA ELECTRONIC MAIL

**Re: *McCreary County Water District
Request for Extension of Time to Submit Annual Reports***

Dear Ms. Bridwell:

Pursuant to 807 KAR 5:006, Section 4(2)(e), McCreary County Water District ("the District") requests an extension of time until April 30, 2025 to submit its financial and statistical reports for the year ending December 31, 2024 for its water and sewer operations.

Good cause exists for granting the requested extension. For several months, the District has been working very diligently to prepare applications for rate adjustments for its water and sewer operations to comply with the Public Service Commission's orders in Cases No. 2021-00300 and No. 2021-00301. The District's office manager and accountants have been deeply involved in the preparation of these applications and have devoted significant time and effort to these applications' preparation that would normally have gone towards the preparation of the required financial and statistical reports. The requested extension will allow the District adequate time to prepare those reports and ensure their accuracy and completeness..

Please contact me if Commission Staff has any questions regarding this request.

Sincerely,

Stoll Keenon Ogden PLLC

A handwritten signature in blue ink, reading "Gerald Wuetcher", is written over the typed name.

Ms. Linda Bridwell, P.E.
March 13, 2025
Page 2

Gerald E. Wuetcher

GEW
Enclosure

EXHIBIT 2 TO ADDENDUM TO APPLICATION

Gerald Wuetcher

From: PSC Reports <PSC.Reports@ky.gov>
Sent: Tuesday, March 18, 2025 3:58 PM
To: Gerald Wuetcher
Cc: s.whitaker@mccrearycountywater.com; Jennifer Whitaker
Subject: RE: McCreary County Water District - Annual Report Extension Request
Attachments: 20250313_RequestForExtensionOfTimeToFileAnnualReports.pdf

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

The Kentucky Public Service Commission received your request for an extension of time for filing the 2024 Annual Financial and Statistical Report (Annual Report), pursuant to 807 KAR 5:006, Section 4(3)(e). Please be advised you now have until May 30, 2025, to electronically submit the 2024 Annual Report.

This Annual Report extension shall not be cited as precedent in support of future requests and the Commission expects you to make every effort to eliminate the need for an extension for subsequent reports.

If you have questions regarding this matter, please do not hesitate contacting us.

Many thanks

Jeff D. Cline
Kentucky Public Service Commission | Division of General Administration | Filings Branch Manager
211 Sower Blvd | Frankfort, KY 40601
www.psc.ky.gov

From: Gerald Wuetcher <Gerald.Wuetcher@skofirm.com>
Sent: Thursday, March 13, 2025 1:58 PM
To: PSC Executive Director <PSCED@ky.gov>; PSC Reports <PSC.Reports@ky.gov>
Cc: s.whitaker@mccrearycountywater.com; Jennifer Whitaker <j.whitaker@mccrearywater.com>
Subject: McCreary County Water District - Annual Report Extension Request

To Whom It May Concern:

Attached to this message is a letter containing McCreary County Water District's request for an extension of time to submit its annual reports for its water and sewer operations. Please acknowledge receipt of this message and its attachment by separate email.

Please contact me if Commission Staff has any questions regarding this message or its attachment.

Thank you for your attention to this request.

Sincerely,

Gerald Wuetcher



Gerald Wuetcher

Attorney

Gerald.Wuetcher@skofirm.com

Direct: 859.231.3017

Mobile: 859.550.3894

Main: 859.231.3000

Stoll Keenon Ogden PLLC

300 W. Vine St., Suite 2100

Lexington, KY 40507

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Stoll Keenon Ogden PLLC is Mansfield Certified. skofirm.com



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If you are a client of this firm, we respectfully remind you that to avoid waiver of the attorney-client privilege, you should not send, forward, or show this e-mail or attachments to anyone else. Thank you.

EXHIBITS TO APPLICATION

<u>Exhibit</u>	<u>Description</u>
A	Attachment SR – Reasons for Application
B	Attachment CPR – Current and Proposed Rates
C	Schedule of Adjusted Operations
D	Usage and Billing Analysis - Current Rates
E	Usage and Billing Analysis - Proposed Rates
F	Depreciation Schedule
G	Bond Resolutions/Evidences of Indebtedness
G-1	Assistance Agreement with Kentucky Infrastructure Authority (Loan F04-03) (2004)
G-2	Assistance Agreement with Kentucky Infrastructure Authority (Loan F21-025) (2022)
G-3	Assistance Agreement with Kentucky Rural Water Finance Corporation (2012)
G-4	Assistance Agreement with Kentucky Rural Water Finance Corporation (2013)
G-5	Assistance Agreement with Kentucky Rural Water Finance Corporation (2020)
G-6	Bond Resolution – Rural Development Series 2012 Bonds (RD 91-33 and RD 91-35)
G-7	Bond Resolution – Rural Development Series 2017 Bonds (RD 91-37)
G-8	Bond Resolution – Rural Development Series 2020 Bonds (RD 93-38)
G-9	Bond Resolution – Rural Development Series 2021 (RD 91-42)
G-10	Bond Resolution – Rural Development Series 2022 (RD 93-40)
G-11	Municipal Lease-Purchase Agreement (2018)
H	Debt Amortization Schedules
I	ARF Form 3 - Statement of Disclosure of Related Party Transactions

Exhibit**Description**

- | | |
|---|---|
| J | A Resolution of The Board of Commissioners of McCreary County Water District Authorizing an Application to the Kentucky Public Service Commission for Authority to Adjust Rates for Water and Sewer Service |
| K | Compliance with Notice Provisions of 807 KAR 5:076 |
| L | Documents Embedded in Electronic Version of Application |

EXHIBITS

EXHIBIT A

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

1. To comply with the Public Service Commission's ("the Commission") Order of March 16, 2022, in Case No. 2022-00009 in which the Commission ordered McCreary County Water District ("the District") to apply for a rate adjustment for its water and sewer rates within three years of a final decision in Cases No. 2021-00300 and No. 2021-00301.

2. A rate study performed to comply with the Commission's Order of March 16, 2022 in Case No. 2022-00009 and using methodology that the Commission has historically employed for water districts to establish the appropriate level of revenue from its rates for water and sewer service and those reviews indicated that the District's present rates for water and sewer service are producing less than the level of revenue required to meet the District's operating expenses, service its debt obligations and provide for adequate working capital and that an increase in McCreary District's current rates for water and sewer service is necessary to ensure the District's continued provision of adequate and reliable service.

EXHIBIT B

CURRENT AND PROPOSED RATES**CURRENT RATES****Residential and Non-Residential Meter**

First	2,000 Gallons	\$	24.42 Minimum Bill
Over	2,000 Gallons		0.01004 Per Gallon

Flat Rate Users

Whitley County Water District	\$	0.00790 Per Gallon
Oneida, Tennessee		0.00790 Per Gallon
Fibrotex USA		0.00790 Per Gallon
Pine Knot Job Center		0.00790 Per Gallon
McCreary County Housing Authority		0.00790 Per Gallon

Cumberland Falls State Resort Park

First	600,000 Gallons	\$	4,747.98 Minimum Bill
Over	600,000 Gallons		0.00790 Per Gallon

Federal Penitentiary - McCreary

First	1,950,000 Gallons	\$	15,430.93 Minimum Bill
Over	1,950,000 Gallons		0.00790 Per Gallon

PROPOSED RATES**Residential and Non-Residential Meter Service**

		Phase 1*	Phase 2**
First	2,000 Gallons	\$ 26.42 Minimum Bill	\$ 28.42 Minimum Bill
Over	2,000 Gallons	0.01086 Per Gallon	0.01169 Per Gallon

Flat Rate Users

		Phase 1*	Phase 2**
Whitley County Water District	\$	0.00855 Per Gallon	\$ 0.00920 Per Gallon
Oneida, Tennessee	\$	0.00855 Per Gallon	\$ 0.00920 Per Gallon
Fibrotex USA	\$	0.00855 Per Gallon	\$ 0.00920 Per Gallon
Pine Knot Job Center	\$	0.00855 Per Gallon	\$ 0.00920 Per Gallon
McCreary County Housing Authority	\$	0.00855 Per Gallon	\$ 0.00920 Per Gallon

Cumberland Falls State Resort Park

		Phase 1*	Phase 2**
First	600,000 Gallons	\$ 5,137.31 Minimum Bill	\$ 5,526.65 Minimum Bill
Over	600,000 Gallons	0.00855 Per Gallon	0.00920 Per Gallon

Federal Penitentiary - McCreary

		Phase 1*	Phase 2**
First	1,950,000 Gallons	\$ 16,696.27 Minimum Bill	\$ 17,961.60 Minimum Bill
Over	1,950,000 Gallons	0.00855 Per Gallon	0.00920 Per Gallon

* Phase I Rates to take effect upon Public Service Commission approval or six months after filing.

** Phase II Rates to take effect one year after Phase I Rates take effect

EXHIBIT C

SCHEDULE OF ADJUSTED OPERATIONS
McCreary County Water District
Water Division

	2023			
	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Proforma</u>
<u>Operating Revenues</u>				
Metered Sales to Residential Customers	\$ 2,847,130			
Metered Sales to Commercial Customers	289,375			
Metered Sales to Industrial Customers	67,410			
Metered Sales to Public Authorities Customers	1,252,810			
		124,160	A	4,580,885
Sales for Resale				
Other Water Revenues:				
Forfeited Discounts				-
Misc. Service Revenue	147,599			147,599
Rents from Water Property	57,978			57,978
Total Operating Revenues	\$ 4,662,302			\$ 4,786,462
<u>Operating Expenses</u>				
Operation and Maintenance				
Salaries and Wages - Employees	1,030,049	156,421	B	
		(13,920)	C	1,172,550
Salaries and Wages - Officers	153,654	47,858	D	201,512
Employee Pensions and Benefits	451,928	38,388	E	
		34,449	F	524,765
Purchased Water		-		-
Purchased Power	388,926			388,926
Chemicals	180,331			180,331
Materials and Supplies	350,321	(32,480)	C	317,841
Contractual Services-Acct.	39,700			39,700
Contractual Services-Legal	21,144			21,144
Contractual Services-Management Fees	1,608			1,608
Contractual Services-Water Testing	1,472			1,472
Contractual Services-Other	382,889			382,889
Transportation Expenses	131,475			131,475
Insurance - Gen. Liab. & Other	25,786			25,786
Insurance - Workers Comp.	24,948			24,948
Insurance - Other	47,598			47,598
Advertising	16,581			16,581
Amortization	1,084	2,898	G	3,982
Miscellaneous Expenses	142,283			142,283
Total Operation and Mnt. Expenses	3,391,775.81	233,615		3,625,391
Depreciation Expense	1,088,577	(21,559)	H	1,067,018
Taxes Other Than Income	95,022	11,159	I	106,181
Amortization of utility Plant Acquisition Adj.	32,303	(32,303)	J	(0)
Total Operating Expenses	\$4,607,677.35	\$ 190,912		\$ 4,798,589
Net Utility Operating Income	\$ 54,624.71			\$ (12,127)
<u>REVENUE REQUIREMENTS WATER DIVISION- Debt Service Coverage</u>				
Pro Forma Operating Expenses				\$ 4,798,589
Plus: Avg. Annual Principal and Interest Payments			K	649,110
Additional Working Capital			L	129,822
Total Revenue Requirement				\$ 5,577,522
Less: Other Operating Revenue				(205,577)
Other Income				-
Interest Income				(41,486)
Revenue Required From Water Sales				\$ 5,330,458
Less: Revenue from Sales at Present Rates				4,580,885
Required Revenue Increase				\$ 749,573
Percent Increase				16.40%

REFERENCES	
A.	Increase water revenues to reflect rate increase effective July, 26,2023 approved in Case No. 2021-00301
B.	Increase in wages to reflect increase in wage rates and allocation of salaries to Water
C.	The utility collected \$46,400 in water tapping fees in 2023. These taps were installed by the utility and were recorded as labor and material expenses. Labor expense has been reduced by \$13,920 or 30% of the tapping fees while materials and supplies expense has been reduced by \$32,480 or 70% of the tapping fees.
D.	Increase due to increase in wage rates and allocation of salaries to Water Division
E.	Increase due to increase in wage rates, allocation of salaries to water and revised pension contribution percentage.
F.	Increase Health Insurance by \$34,449 due to Increase in monthly premiums and allocation of expense to the Water Division.
G.	Increase in amortization expense to recover rate case expense allocated to the Water Division.
H.	Decrease due to PSC required adjustments to a water utility's depreciation expense when asset lives fall outside the ranges recommended by NARUC in its publication titled "Depreciation Practices for Small Water Utilities". Therefore, adjustments are included to bring asset lives to the midpoint of the recommended ranges, depreciation expense was decreased by \$21,559. See Table A.
I.	Increase in payroll taxes due to increase wage rates and allocation of salaries to the Water Division.
J.	Recovery of the amortized expense occurred in December 2023
K.	Revenue Requirement is computed using the Debt Service Coverage method. Annual debt service payments for the district's water division debt are shown in Table B. The five-year average of these payments for the water division of \$649,110 is added in the revenue requirement calculation.
L.	The amount of \$129,822 is included in the revenue requirement as Additional Working Capital the Water Division. The amount shown in Table B for coverage on long term debt.

Table A								
DEPRECIATION EXPENSE ADJUSTMENTS								
WATER DIVISION								
								Depreciation
Assets		Date in	Original	Reported		Proforma		Expense
No.	Description	Service	Cost *	Life	Depr. Exp.	Life	Depr. Exp.	Adjustment
304 - Structures & Improvements								
		various	11,902,663	varies	317,404	37.5	317,404	0
305 - Collecting Reservoir		reclassify to Sewer			384		0	(384)
310 - Power Generator Equipment		12/22/10	225,000	12.5	18,000	12.5	18,000	-
311 - Pumping Equipment		various	1,681,068	varies	59,877	varies	59,877	-
313 - Lake, River and Other Intake		1/11/2010	3,070,460	37.5	81,879	37.5	81,879	-
320 - Water Treatment								
	Plant	various	3,230,619	40.0	80,765	62.5	51,690	(29,076)
	Equipment	various	16,009	27.5	582	27.5	582	-
330 - Standpipes								
331 - Transmissions & Dist. Mains		various	18,216,238	62.5	298,174	62.5	298,174	-
333 - Services		various	1,431,685	40.0	16,723	40.0	16,723	-
334 - Meter Installation		various	995,678	20.0	49,353	20.0	49,353	-
335 - Hydrants		various	242,265	50.0	3,966	50.0	3,966	-
339 - Other Equipment		various	973,099	22.5	43,022	22.5	43,022	-
	Digital Video & Camera	various	6,441	22.5	286	10.0	644	358
340 - Office Furniture Equipment								
	Computer & Billing Software	various	40,698	22.5	1,275	10.0	4,070	2,795
		various	121,193	22.5	414	22.5	414	-
341 - Transportation		various	414,736	7.0	28,264	7.0	28,264	-
343 - Shop Equipment		various						
345 - Power Oriented Equipment								
	Telemetry Equipment	various	530,457	12.5	7,441	12.5	7,441	-
		various	110,788	17.5	6,331	10.0	11,079	4,748
TOTALS								
					\$ 1,088,577		\$ 1,067,018	\$ (21,559)
* Includes only costs of assets that contributed to depreciation expense in the test year.								

Table B DEBT SERVICE SCHEDULE											
CY 2025 - 2029											
Water Division	CY 2025		CY 2026		CY 2027		CY 2028		CY 2029		TOTALS
	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	
Series 2013 91-35	13,500	9,539	13,500	9,286	14,000	9,028	14,500	48,761	14,500	8,489	155,103
Series 2013 91-33	27,000	19,734	27,500	19,223	28,000	18,703	29,000	18,169	29,500	17,620	234,450
Series 2016 93-37	20,000	25,638	20,500	25,131	21,000	24,613	22,000	13,175	22,500	23,519	218,075
Series 2020 93-38	22,000	16,913	22,500	16,607	23,000	16,294	24,000	15,971	24,500	15,637	197,421
Series 2020 93-40	10,500	11,236	11,000	11,034	11,000	10,828	11,500	10,617	11,500	10,402	109,617
Series 2021 91-42	9,500	8,912	10,000	8,741	10,000	8,566	10,500	8,387	10,500	8,214	93,320
KRWFC 2012 D*	116,725	79,318	120,060	75,056	123,395	70,612	130,065	65,923	133,400	61,049	975,603
KRWFC 2020 E**	8,281	11,221	8,281	10,869	12,422	10,429	12,422	9,901	12,422	9,373	105,619
KRWFC 2020 E *	28,420	23,949	32,480	22,731	32,480	21,432	32,480	20,133	36,540	18,752	269,396
KIA F04-03	79,474	1,246	40,035	250							121,005
KRWFC 2013 B	100,000	10,635	100,000	7,585	45,000	5,318	40,000	3,915	40,000	2,595	355,048
GCC 8306	83,662	14,005	86,963	10,704	90,394	7,273	93,960	3,707			390,667
KIA F21-025	3,553	510	3,562	492	3,571	475	3,580	457	3,589	439	20,227
											-
											-
TOTALS	522,615	232,855	496,381	217,710	414,261	203,570	424,006	219,114	338,950	176,089	3,245,551
							Average Annual Principal & Interest				\$ 649,110
							Average Annual Coverage				\$ 129,822
							Average interest & Fees				\$ 209,868

EXHIBIT D

CURRENT BILLING ANALYSIS - 2023 USAGE & EXISTING RATES						
McCreary County WD						
		SUMMARY				
			<u>No. of Bills</u>	<u>Gallons Sold</u>	<u>Revenue</u>	
		Retail Customers	75,458	283,169,000	\$ 3,474,766.68	
		Federal Correctional Facility	12	114,333,300	903,544.23	
		Cumberland Falls SP	12	7,851,200	70,029.72	
		Wholesale	72	24,438,100	193,060.99	
		Totals	75,554	429,791,600	\$ 4,641,401.62	
				Less water adjustments	(60,516.49)	
				Pro Forma Sales Revenue	\$ 4,580,885.13	
				2023 Sales	4,456,724.87	
					124,160.26	
Retail Customers						
	USAGE	BILLS	GALLONS	2000	2000	TOTAL
FIRST	2000	29,165	28,025,000	28,025,000	-	28,025,000
ALL OVER	2000	46,293	255,144,000	92,586,000	162,558,000	255,144,000
		75,458	283,169,000	120,611,000	162,558,000	283,169,000
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	2,000	75,458	120,611,000	\$ 24.42	\$ 1,842,684.36	
ALL OVER	2,000		162,558,000	0.01004	1,632,082.32	
	TOTAL	75,458	283,169,000		\$ 3,474,766.68	
Federal Correctional Facility						
				FIRST	ALL OVER	
	USAGE	BILLS	GALLONS	1,950,000	1,950,000	TOTAL
FIRST	1,950,000	12	23,400,000	23,400,000	-	23,400,000
ALL OVER	1,950,000		90,933,300		90,933,300	90,933,300
		12	114,333,300	23,400,000	90,933,300	114,333,300
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	1,950,000	12	23,400,000	\$ 15,430.93	\$ 185,171.16	
ALL OVER	1,950,000		90,933,300	0.00790	718,373.07	
	TOTAL	12	114,333,300		\$ 903,544.23	
Cumberland Falls State Park						
					ALL OVER	
	USAGE	BILLS	GALLONS	600,000	600,000	TOTAL
FIRST	600,000	7	3,198,800	3,198,800	-	3,198,800
ALL OVER	600,000	5	4,652,400	3,000,000	1,652,400	4,652,400
		12	7,851,200	6,198,800	1,652,400	7,851,200
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	600,000	12	6,198,800	\$ 4,747.98	\$ 56,975.76	
ALL OVER	600,000		1,652,400	0.00790	13,053.96	
	TOTAL	12	7,851,200		\$ 70,029.72	
WHOLESALE SALES						
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
	WG	48	15,659,800	\$ 0.00790	\$ 123,712.42	
	WE	24	8,778,300	0.00790	69,348.57	
	TOTAL	72	24,438,100		\$ 193,060.99	

EXHIBIT E

BILLING ANALYSIS - 2023 USAGE & PHASE 1 PROPOSED RATES						
SUMMARY						
				No. of Bills	Gallons Sold	Revenue
		Retail Customers		75,458	283,169,000	\$ 3,759,697.55
		Federal Correctonal Facility		12	114,333,300	977,634.86
		Cumberland Falls SP		12	8,391,200	80,387.97
		Wholesaale		72	24,438,100	208,891.99
		Totals		75,554	430,331,600	\$ 5,026,612.36
					Less water adjustments	(60,516.49)
					Water Sales Revenue	\$ 4,966,095.87
					Revenue Requirment from phase 1 water rates	4,956,517.71
						9,578.16
Retail Customers						
	USAGE	BILLS	GALLONS	2000	2000	TOTAL
FIRST	2000	29,165	28,025,000	28,025,000	-	28,025,000
ALL OVER	2000	46,293	255,144,000	92,586,000	162,558,000	255,144,000
		75,458	283,169,000	120,611,000	162,558,000	283,169,000
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	2,000	75,458	120,611,000	\$ 26.42	\$ 1,993,784.48	
ALL OVER	2,000		162,558,000	0.01086	1,765,913.07	
	TOTAL	75,458	283,169,000		\$ 3,759,697.55	
Federal Correctional Facility						
				FIRST	ALL OVER	
	USAGE	BILLS	GALLONS	1,950,000	1,950,000	TOTAL
FIRST	1,950,000	12	23,400,000	23,400,000	-	23,400,000
ALL OVER	1,950,000		90,933,300		90,933,300	90,933,300
		12	114,333,300	23,400,000	90,933,300	114,333,300
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	1,950,000	12	23,400,000	\$ 16,696.27	\$ 200,355.20	
ALL OVER	1,950,000		90,933,300	0.00855	777,279.66	
	TOTAL	12	114,333,300		\$ 977,634.86	
Cumberland Falls State Park						
					ALL OVER	
	USAGE	BILLS	GALLONS	600,000	600,000	TOTAL
FIRST	600,000	12	6,198,800	6,198,800	-	6,198,800
ALL OVER	600,000		2,192,400		2,192,400	2,192,400
		12	8,391,200	6,198,800	2,192,400	8,391,200
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	600,000	12	6,198,800	\$ 5,137.31	\$ 61,647.77	
ALL OVER	600,000		2,192,400	0.00855	18,740.20	
	TOTAL	12	8,391,200		\$ 80,387.97	
WHOLESALE SALES						
REVENUE BY RATE INCREMENT						
	CODE	BILLS	GALLONS	RATE	REVENUE	
	WG	48	15,659,800	\$ 0.00855	\$ 133,856.84	
	WE	24	8,778,300	0.00855	75,035.15	
	TOTAL	72	24,438,100		\$ 208,891.99	

BILLING ANALYSIS - 2023 USAGE & PHASE 2 PROPOSED RATES						
SUMMARY						
				No. of Bills	Gallons Sold	Revenue
		Retail Customers		75,458	283,169,000	\$ 4,044,628.42
		Federal Correctonal Facility		12	114,333,300	1,051,725.48
		Cumberland Falls SP		12	8,391,200	86,480.22
		Wholesaale		72	24,438,100	224,722.99
		Totals		75,554	430,331,600	\$ 5,407,557.11
					Less water adjustments	(60,516.49)
					Water Sales Revenue	\$ 5,347,040.62
		Revenue Requirement from Phase 2 Water Sales				5,330,458.44
						16,582.18
<u>Retail Customers</u>						
	USAGE	BILLS	GALLONS	2000	2000	TOTAL
FIRST	2000	29,165	28,025,000	28,025,000	-	28,025,000
ALL OVER	2000	46,293	255,144,000	92,586,000	162,558,000	255,144,000
		75,458	283,169,000	120,611,000	162,558,000	283,169,000
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	2,000	75,458	120,611,000	\$ 28.42	\$ 2,144,884.60	
ALL OVER	2,000		162,558,000	0.01169	1,899,743.82	
	TOTAL	75,458	283,169,000		\$ 4,044,628.42	
<u>Federal Correctional Facility</u>						
				FIRST	ALL OVER	
	USAGE	BILLS	GALLONS	1,950,000	1,950,000	TOTAL
FIRST	1,950,000	12	23,400,000	23,400,000	-	23,400,000
ALL OVER	1,950,000		90,933,300		90,933,300	90,933,300
		12	114,333,300	23,400,000	90,933,300	114,333,300
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	1,950,000	12	23,400,000	\$ 17,961.60	\$ 215,539.23	
ALL OVER	1,950,000		90,933,300	0.00920	836,186.25	
	TOTAL	12	114,333,300		\$ 1,051,725.48	
<u>Cumberland Falls State Park</u>						
					ALL OVER	
	USAGE	BILLS	GALLONS	600,000	600,000	TOTAL
FIRST	600,000	12	6,198,800	6,198,800	-	6,198,800
ALL OVER	600,000		2,192,400		2,192,400	2,192,400
		12	8,391,200	6,198,800	2,192,400	8,391,200
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	RATE	REVENUE	
FIRST	600,000	12	6,198,800	\$ 5,526.65	\$ 66,319.78	
ALL OVER	600,000		2,192,400	0.00920	20,160.43	
	TOTAL	12	8,391,200		\$ 86,480.22	
<u>WHOLESALE SALES</u>						
REVENUE BY RATE INCREMENT						
	CODE	BILLS	GALLONS	RATE	REVENUE	
	WG	48	15,659,800	\$ 0.00920	\$ 144,001.26	
	WE	24	8,778,300	0.00920	80,721.74	
	TOTAL	72	24,438,100		\$ 224,722.99	

EXHIBIT F

**MCCREARY COUNTY WATER
MIDPOINT DEPRECIATION SHEET**

ACCOUNT	Date	Item Cost	Method	Life	Midpoint	2023 new	Reported	Adjustment
					Service		Actual	
					Adjusted			
					12.31.23		12.31.23	
303 Land								
Land	12.31.94	18790						
Office Land	6.30.94	30000						
Plant #2 Land	6.30.00	68083						
Plant #1 Land	8.28.01	3450						
Land	9.3.04	1275						
Marshes Track	11.6.09	26201						
Pine Knot Tank Site	11.24.10	20000						
Crit King Property New shop land	3.1.11	55426						
Beaty Property	12.13.11	32544						
Property Next to Water Plant 1	1.7.13	2500						
Land for Booster Pump	2.25.16	2000						
Land Donated	12.31.18	70000						
Land New Office Bldg	12.31.18	100000						
304 Structures & Improvements		430269			0		0	
Buildings	12.31.91		S/L	37.5	0		0	
Glass/Mirror	6.30.94		S/L	22.5	0		0	
Office Project	6.30.94	114538	S/L	37.5	3054		3054	0
Office Project	6.30.95	103911	S/L	37.5	2771		2771	0
Office Project	6.30.96	34146	S/L	37.5	911		911	0
Office Project	6.30.97	61695	S/L	37.5	1645		1645	0
Office Project	6.30.98	1550	S/L	37.5	41		41	0
Improvements	6.30.99	49162	S/L	37.5	1311		1311	0
Dry Storage Bldg-Plant	2.4.00	9231	S/L	37.5	246		246	0
Chlorine Bldg-Lake	12.20.00	3359	S/L	37.5	90		90	0
Metal Roof Shop	9.7.01	2760	S/L	37.5	74		74	0
Carpet	2.13.04	799	S/L	37.5	21		21	0
Counters	2.13.04	6244	S/L	37.5	167		167	0
Water Treatment Plant 2	6.30.04	2976152	S/L	37.5	79364		79364	0
Raw & Fiished Water Transmission	6.30.04	516742	S/L	37.5	13780		13780	0
Water Treatment Plant 2 Expansion	6.30.04	2492311	S/L	37.5	66462		66462	0
Water Treatment Plant	3.28.05	25000	S/L	37.5	667		667	0
Prison Project Phase II	5.2.05	33314	S/L	37.5	888		888	0
Storage Building	12.15.07	23620	S/L	37.5	630		630	0
Building 1 material Storage Bldg	4.5.12	5259	S/L	37.5	140		140	0
Building 2 Bew 24x50 Heated Bldg	5.4.12	18507	S/L	37.5	494		494	0
Building 2 Meter Test Addition	8.4.12	7421	S/L	37.5	198		198	0
Building 2 Bathroom Addition	7.1.12	7750	S/L	37.5	207		207	0
Sidewalk	10.3.12	1256	S/L	37.5	33		33	0
Building 3 Maintenance	4.1.13	134710	S/L	37.5	3592		3592	0
Water Plant Upgrade	6.30.14	2699550	S/L	37.5	71988		71988	0
24x30 Metal Bldg at shop	1.28.16	16000	S/L	37.5	427		427	0
24x40 slanted Roof Built Service Gar	1.28.16	6500	S/L	37.5	173		173	0
24x41 Shed	9.2.16	11473	S/L	37.5	306		306	0
Water Plant Upgrade	10.01.18	2079919	S/L	37.5	55465		55465	0
New Office Bldg	12.31.18	350000	S/L	37.5	9333		9333	0
Paving	12.31.18	55000	S/L	37.5	1467		1467	0
Office Bldg Improvements	12.31.18	20919	S/L	37.5	558		558	0
Office Bldg Improvements	2.28.19	33865	S/L	37.5	903		903	0

Exhibit F

**MCCREARY COUNTY WATER
MIDPOINT DEPRECIATION SHEET**

ACCOUNT	Date	Item Cost	Method	Life	Midpoint	2023 new	Reported	Adjustment
					Service		Actual	
					Adjusted		12.31.23	
								0
Reclassify to Sewer		11902663					317404	0
305 Collecting Reservoir								0
								0
Collecting	12.31.91		S/L	62.5		0	0	0
Sludge Pond	6.30.96		S/L	62.5		0	148	-148
Prefab Water Vault	2.24.23		S/L	62.5		0	236	-236
		0				0	384	-384
								0
306 Lake	12.31.91	11360				0	0	0
								0
309 Supply Mains								0
								0
Supply Main Line	12.31.91	86114	S/L	62.5		0	0	0
								0
310 Power Generator Equipment	12.22.10	225000	S/L	12.5		18000	18000	0
								0
								0
311 Plumbing Equipment								0
								0
Pumping Equipment	12.31.91	55204	S/L	20		0	0	0
Improvement	4.23.93	3975	S/L	20		199	199	0
Pump	8.15.95	9973	S/L	20		499	499	0
Pump	10.10.97	2227	S/L	20		111	111	0
Rebuilt Lake Pump	12.2.02	6980	S/L	20		349	349	0
Water Treatment Plant 2	06.30.04	134000	S/L	20		6700	6700	0
Raw & Finished Water Transmission	06.30.04	425000	S/L	20		21250	21250	0
Water Transmission Main Phase 1	06.30.04	124000	S/L	20		6200	6200	0
Water Treatment Plant 2 Expansion	06.30.04	20000	S/L	20		1000	1000	0
Pump Truck	4.3.2006	14000	S/L	7		0	0	0
Pump Station	10.14.10	821509	S/L	37.5		21907	21907	0
Scada Pump station	11.03.11	34586	S/L	37.5		922	922	0
Turbine Pump SL12M	4.28.23	29614	S/L	20		740	740	0
		1681068				59877	59877	0
								0
313 Lake, River and Other Intake								0
Lake Input	1.11.10	3070460	S/L	37.5		81879	81879	0
								0
320 Water Treatment								0
								0
Plant	12.31.91	1868350	S/L	62.5		29894	46709	-16815
92 Plant	6.30.92	509552	S/L	62.5		8153	12739	-4586
94 Plant	6.30.94	174707	S/L	62.5		2795	4368	-1572
Equipment	12.3.97	9535	S/L	27.5		347	347	0
Equipment	12.9.98	3186	S/L	27.5		116	116	0
99 Plant	1.31.99	561010	S/L	62.5		8976	14025	-5049
3000 Gallon Tank	3.9.00	3288	S/L	27.5		120	120	0
Water Treatment Plant 2	6.30.04	117000	S/L	62.5		1872	2925	-1053
								0
								0
		3246628				52272.05	81347.62	-29075.57
330 Standpipes								0

**MCCREARY COUNTY WATER
MIDPOINT DEPRECIATION SHEET**

ACCOUNT	Date	Item Cost	Method	Life	Midpoint	2023 new	Reported	Adjustment
					Service		Actual	
					Adjusted			
					12.31.23		12.31.23	
Water Tanks	12.31.76	385160	S/L	45	0		0	0
Fence	6.30.94	4835	S/L	37.5	129		129	0
Water Tank	6.30.94	260320	S/L	45	5785		5785	0
Paint Tank	6.30.96	42130	S/L	45	936		936	0
Paint Tank	6.30.97	6340	S/L	45	141		141	0
Paint Tank	6.30.98	17905	S/L	45	398		398	0
Water Tank	6.30.99	290779	S/L	45	6462		6462	0
500000 Gal Elevated Storage Tank	6.30.04	572628	S/L	45	12725		12725	0
1M Gallon Elevated Compsit Water	6.30.04	913907	S/L	45	20309		20309	0
New Liberty	1.26.10	365363	S/L	45	8119		8119	0
Scada Pump Station	11.03.11	117292	S/L	45	2606		2606	0
Storage Tank	7.27.12	408475	S/L	45	9077		9077	0
Water Tank Rehab	12.12.23	697375	S/L	45	7749	697375	7749	0
		4082509			74436		74436	0
331 Transmissions & Distribution Mains								0
Main Lines	12.31.91	2527951	S/L	62.5	40447		40447	0
Extend Lines	6.30.92	31029	S/L	62.5	496		496	0
Extend Lines	6.30.93	50637	S/L	62.5	810		810	0
Main Lines	6.30.93	444640	S/L	62.5	7114		7114	0
Extend Lines	6.30.94	70060	S/L	62.5	1121		1121	0
Extend Lines	6.30.95	50887	S/L	62.5	814		814	0
Extend Lines	6.30.96	63704	S/L	62.5	1019		1019	0
Extend Lines	6.30.97	48511	S/L	62.5	776		776	0
Extend Lines	6.30.98	53460	S/L	62.5	855		855	0
Extend Lines	6.30.99	74746	S/L	62.5	1196		1196	0
Extend Lines	6.30.00	38727	S/L	62.5	620		620	0
Extend Lines	6.30.01	50531	S/L	62.5	808		808	0
Extend Lines	6.30.02	27544	S/L	62.5	441		441	0
Extend Lines	6.30.03	25617	S/L	62.5	410		410	0
Raw and Finished Water Transmissi	6.30.04	749296	S/L	62.5	11989		11989	0
Water Transmission Main Phase 1	6.30.04	878379	S/L	62.5	14054		14054	0
Water Transmission Main Phase 2	6.30.04	495391	S/L	62.5	7926		7926	0
2004 Line Extension	6.30.04	62127	S/L	62.5	994		994	0
2005 Line Extension	6.30.05	44297	S/L	62.5	709		709	0
2006 Line Ext Countywide & Housebi	9.30.06	3604201	S/L	62.5	57667		57667	0
2006 Line Extension	6.30.06	11982	S/L	62.5	192		192	0
2007 Line Extension	6.30.07	1184477	S/L	62.5	18952		18952	0
2007 Line Extension	6.30.07	39285	S/L	62.5	629		629	0
2008 Line Extension	6.30.08	35545	S/L	62.5	569		569	0
2009 Line Extension	6.30.09	5196	S/L	62.5	83		83	0
2010 Line Extension	6.30.10	33130	S/L	62.5	530		530	0
Distribution Study 319 Watershed	11.16.10	351267	S/L	62.5	5620		5620	0
New Liberty Lines	1.26.10	417540	S/L	62.5	6681		6681	0
County Water Extension	6.17.10	500000	S/L	62.5	8000		8000	0
Trans Main Upgrade Stearns to Pine	2.4.10	633314	S/L	62.5	10133		10133	0
Cumberland Falls State Park	11.29.10	549816	S/L	62.5	8797		8797	0
Ky 92 Relocation	11.29.10	531089	S/L	62.5	8497		8497	0
Impairment	2010	-39215		62.5	-627		-627	0
2011 Line Extension	6.30.11	2777	S/L	62.5	44		44	0

Exhibit F

**MCCREARY COUNTY WATER
MIDPOINT DEPRECIATION SHEET**

ACCOUNT	Date	Item Cost	Method	Life	Midpoint	2023 new	Reported	Adjustment
					Service		Actual	
					Adjusted		12.31.23	
2012 Line Extension	6.30.12	24163 S/L	62.5		387		387	0
2013 Line Extension	6.30.13	6434 S/L	62.5		103		103	0
2014 Line Extension	6.30.14	2816 S/L	62.5		45		45	0
Distribution Study 319 Watershed	3.31.14	120245 S/L	62.5		1924		1924	0
2015 Line Extension	6.30.15	5756 S/L	62.5		92		92	0
2016 Line Extension	6.30.16	22007 S/L	62.5		352		352	0
2007 Abandoned Line 15.75%	9.30.17	-186555	62.5		-2985		-2985	0
2017 Line Extension	6.30.17	31101 S/L	62.5		498		498	0
KY 92 Line Relocation	9.30.17	564886 S/L	62.5		9038		9038	0
2018 Line Extension	6.30.18	13613 S/L	62.5		218		218	0
2019 Line Extension	6.30.19	15649 S/L	62.5		250		250	0
2020 Line Extension	6.30.20	32607 S/L	62.5		522		522	0
Sterns to Smithtown	10.29.21	2273592 S/L	62.5		36377		36377	0
2021 Abandoned Lines	6.30.21	-443147 S/L	62.5		0		0	0
2022 Line Extensions	6.30.22	22472 S/L	62.5		360		360	0
Yamacrow Bridge Line	6.30.22	181574 S/L	62.5		2905		2905	0
Marsh Creek	6.30.22	817806 S/L	62.5		13085		13085	0
Marsh Creek (fiscal court part)	6.30.22	722000 S/L	62.5		11552		11552	0
Cantron Needle Rd	6.30.22	285437 S/L	62.5		4567		4567	0
Creekmore Privett Rd 1180"	6.30.22	8850 S/L	62.5		142		142	0
2023 Line Extensions	6.30.23	46994 S/L	62.5		376	46994	376	0
								0
		18216238			298174		298174	0
								0
333 Services								0
								0
Services	12.31.91	749854 S/L	40		0		0	0
Services	6.30.92	22667 S/L	40		567		567	0
Services	6.30.93	27772 S/L	40		694		694	0
Services	6.30.94	38203 S/L	40		955		955	0
Services	6.30.95	28169 S/L	40		704		704	0
Services	6.30.96	23550 S/L	40		589		589	0
Services	6.30.97	24210 S/L	40		605		605	0
Services	6.30.98	22140 S/L	40		554		554	0
Services	6.30.99	23625 S/L	40		591		591	0
Services	6.30.00	26730 S/L	40		668		668	0
Services	6.30.01	26520 S/L	40		663		663	0
Services	6.30.02	25125 S/L	40		628		628	0
Services	6.30.03	28920 S/L	40		723		723	0
Services	6.30.04	32335 S/L	40		808		808	0
Services	6.30.05	24077 S/L	40		602		602	0
Services	6.30.06	20310 S/L	40		508		508	0
Services Countywide	6.30.06	12810 S/L	40		320		320	0
Services	6.30.07	19320 S/L	40		483		483	0
Services	6.30.08	18996 S/L	40		475		475	0
Services	6.30.09	14700 S/L	40		368		368	0
Services	6.30.10	14825 S/L	40		371		371	0
Services	6.30.11	11400 S/L	40		285		285	0
Services	6.30.12	15000 S/L	40		375		375	0
Services	6.30.13	7500 S/L	40		188		188	0
Services	6.30.14	11100 S/L	40		278		278	0
Services	6.30.15	8700 S/L	40		218		218	0

**MCCREARY COUNTY WATER
MIDPOINT DEPRECIATION SHEET**

ACCOUNT	Date	Item Cost	Method	Life	Midpoint	2023 new	Reported	Adjustment
					Service		Actual	
					Adjusted			
					12.31.23		12.31.23	
Services	6.30.16	9000 S/L	40		225		225	0
Services	6.30.17	11614 S/L	40		290		290	0
Services	6.30.18	15000 S/L	40		375		375	0
Services	6.30.19	12600 S/L	40		315		315	0
Services	6.30.20	17400 S/L	40		435		435	0
Services	6.30.21	29030 S/L	40		726		726	0
Services	6.30.22	32628 S/L	40		816		816	0
Services	6.30.23	25855 S/L	40		323	25855	323	0
								0
		1431685			16723		16723	0
								0
334 Meter Installation								0
								0
Meters	6.30.08	12664 S/L	20		633		633	0
Meters	6.30.09	9800 S/L	20		490		490	0
Meters	6.30.10	9883 S/L	20		494		494	0
Meters	6.30.11	7600 S/L	20		380		380	0
Meters	6.30.12	10000 S/L	20		500		500	0
Meters	6.30.13	5000 S/L	20		250		250	0
Meters	6.30.14	7400 S/L	20		370		370	0
Meters	6.30.15	5800 S/L	20		290		290	0
Meters	6.30.16	6000 S/L	20		300		300	0
Radio Read Water Meters	6.30.16	16334 S/L	20		817		817	0
Meters	6.30.17	7742 S/L	20		387		387	0
Meters	6.30.18	11995 S/L	20		600		600	0
New Radio Read Meters 3/4 212	7.15.18	29116 S/L	20		1456		1456	0
New Radio Read Meters 3/4 499	8.15.18	68533 S/L	20		3427		3427	0
New Radio Read Meters 3/4 720	9.15.18	98885 S/L	20		4944		4944	0
New Radio Read Meters 3/4 907	10.15.18	124567 S/L	20		6228		6228	0
New Radio Read Meters 3/4 406	11.15.18	55760 S/L	20		2788		2788	0
New Radio Read Meters 3/4 269	12.15.18	36944 S/L	20		1847		1847	0
New Radio Read Meters 1 6	9.15.18	1640 S/L	20		82		82	0
New Radio Read Meters 1 7	10.15.18	1913 S/L	20		96		96	0
Radio Meters	1.1.19	367339 S/L	20		18367		18367	0
Meters	7.29.19	13602 S/L	20		680		680	0
Meters	8.16.19	3306 S/L	20		165		165	0
Meters	12.24.19	5512 S/L	20		276		276	0
Meters	6.30.19	8400 S/L	20		420		420	0
Meters	6.30.20	11600 S/L	20		580		580	0
Meters	6.30.21	19354 S/L	20		968		968	0
Meters	6.30.22	21752 S/L	20		1088		1088	0
Meters	6.30.23	17237 S/L	20		431	17237	431	0
		995678			49353		49353	0
								0
335 Hydrants								0
								0
Hydrants	12.31.91	42198 S/L	50		0		0	0
Hydrants	6.30.92	7300 S/L	50		146		146	0
Hydrants	6.30.93	1620 S/L	50		32		32	0
Hydrants	6.30.94	6950 S/L	50		139		139	0
Hydrants	6.30.95	3341 S/L	50		67		67	0
Hydrants	6.30.96	13800 S/L	50		276		276	0

**MCCREARY COUNTY WATER
MIDPOINT DEPRECIATION SHEET**

ACCOUNT	Date	Item Cost	Method	Life	Midpoint	2023 new	Reported	Adjustment
					Service		<i>Actual</i>	
					Adjusted		12.31.23	
Hydrants	6.30.97	6975 S/L	50		140		140	0
Hydrants	6.30.98	12050 S/L	50		241		241	0
Hydrants	6.30.99	9000 S/L	50		180		180	0
Hydrants	6.30.00	6950 S/L	50		139		139	0
Hydrants	6.30.01	6800 S/L	50		136		136	0
Hydrants	6.30.02	6850 S/L	50		137		137	0
Hydrants	6.30.03	18132 S/L	50		363		363	0
Hydrants	6.30.04	17861 S/L	50		357		357	0
Hydrants	6.30.05	14014 S/L	50		280		280	0
Hydrants	6.30.06	8139 S/L	50		163		163	0
Hydrants	6.30.07	7133 S/L	50		143		143	0
Hydrants	6.30.08	22107 S/L	50		442		442	0
Hydrants	6.30.09	4452 S/L	50		89		89	0
Hydrants	6.30.10	5741 S/L	50		115		115	0
Less Impaired Hydrants	6.30.10	-7500	50		-150		-150	0
Hydrants	6.30.11	1026 S/L	50		21		21	0
Hydrants	6.30.12	2063 S/L	50		41		41	0
Hydrants	6.30.13	513 S/L	50		10		10	0
Hydrants	6.30.14	1187 S/L	50		24		24	0
Hydrants	6.30.15	588 S/L	50		12		12	0
Hydrants	6.30.16	1645 S/L	50		33		33	0
Hydrants	6.30.17	1926 S/L	50		39		39	0
Hydrants	6.30.18	2940 S/L	50		59		59	0
Hydrants	6.30.19	2352 S/L	50		47		47	0
Hydrants	6.30.20	2352 S/L	50		47		47	0
Hydrants	6.30.21	4704 S/L	50		94		94	0
Hydrants	6.30.22	3528 S/L	50		71		71	0
Hydrants	6.30.23	3528 S/L	50		35	3528	35	0
								0
		242265			3966		3966	0
								0
339 Other Equipment								0
								0
Computer	3.6.98	1350 S/L	22.5		0		0	0
Flag & Pole	10.24.02	955 S/L	22.5		0		0	0
Cdr Repeater	10.12.04	1875 S/L	22.5		0		0	0
Water Treatment Plant 2	6.30.04	968000 S/L	22.5		43022		43022	0
Utility Trailer	4.1.05	919 S/L	22.5		0		0	0
Digital Video & Camera New Shop	6.12.12	3096 S/L	10		310		138	172
Digital Video & Camera Plant 2	8.17.13	3345 S/L	10		335		149	186
								0
		979540			43666		43308	358
								0
340 Office Furniture Equipment								0
								0
Misc.	12.31.95	15679 S/L	22.5		0		0	0
Desk & Chair	6.30.88	1634 S/L	22.5		0		0	0
Cabinet	6.30.90	895 S/L	22.5		0		0	0
Lyrix Word	6.30.90	575 S/L	22.5		0		0	0
Equipment	6.30.91	10091 S/L	22.5		0		0	0
Desk	6.30.92	429 S/L	22.5		0		0	0

Exhibit F

**MCCREARY COUNTY WATER
MIDPOINT DEPRECIATION SHEET**

ACCOUNT	Date	Item Cost	Method	Life	Midpoint	2023 new	Reported	Adjustment
					Service		Actual	
					Adjusted			
					12.31.23		12.31.23	
Software	6.30.92	500 S/L	10		0		0	0
Computer Resources	6.30.94	5400 S/L	10		0		0	0
Furnishings	6.30.95	11930 S/L	22.5		0		0	0
Furniture	6.30.96	660 S/L	22.5		0		0	0
Printer Strands	6.30.96	366 S/L	10		0		0	0
Plant Computer	5.16.97	1179 S/L	10		0		0	0
Modern Security System	3.21.01	1506 S/L	10		0		0	0
Weddle Surveillance System	6.30.01	380 S/L	10		0		0	0
Laser Printer	12.12.02	1818 S/L	10		0		0	0
Laser Printer	2.14.03	2390 S/L	10		0		0	0
CD Burner	7.9.04	505 S/L	10		0		0	0
17" Monitor	2.18.05	1641 S/L	10		0		0	0
Night Deposit Drawer&Envelope Dis	9.28.06	5932 S/L	22.5		0		0	0
Computer System	4.4.08	24881 S/L	10		0		0	0
FD Advanced 2 Machine for folding/i	4.30.09	12014 S/L	22.5		0		0	0
RicohCopier MPC4000	7.16.09	11482 S/L	22.5		0		0	0
Copier	12.30.13	9306 S/L	22.5		414		414	0
Computer System	10.7.21	16698 S/L	10		1670		742	928
Billing Software	4.28.23	24000 S/L	10		2400	24000	533	1867
								0
		161891			4483		1689	2794
								0
341 Transportation								0
								0
								0
								0
86 GMC Dump-yellow	6.30.92	10950 S/L	7		0		0	0
Tool Boxes	6.30.95	650 S/L	7		0		0	0
Ford F150	8.22.03	14539 S/L	7		0		0	0
10 Ton Trailer	1.7.05	6000 S/L	7		0		0	0
94 Ford F-700	4.1.05	9000 S/L	7		0		0	0
2007 Dodge Ram 1500	7.25.06	21064 S/L	7		0		0	0
2009 Ford Pick up Truck	5.7.09	36534 S/L	7		0		0	0
2013 Chev	12.26.19	9200 S/L	7		1314		1314	0
2011 F350 Pickup	12.8.2010	33439 S/L	7		0		0	0
Utility Bed for F450 Truck	11.1.11	7430 S/L	7		0		0	0
Trailer 16x4	8.24.12	5065 S/L	7		0		0	0
07 Ford F-150	9.21.12	7500 S/L	7		0		0	0
Truck	7.15.14	10000 transferr	7		0		0	0
Ford F-550 Truck	8.12.15	14900 S/L	7		0		0	0
Trailer	9.10.15	6990 S/L	7		0		0	0
Truck	3.17.16	18900 S/L	7		0		0	0
GMC Terrain	12.22.16	15500 S/L	7		0		0	0
Dump Truck	12.4.17	13000 S/L	7		1269		1269	0
Truck	12.14.17	28356 S/L	7		3005		3005	0
2011 Ford Ranger	03.08.18	11000 S/L	7		1571		1571	0
2013 Chev	10.19.18	18000 S/L	7		2571		2571	0
2014 Chevrolet	3.2.2020	12500 S/L	7		1786		1786	0
Trailer	3.25.21	3500 S/L	7		500		500	0
2021 Dodge	8.5.21	29963 S/L	7		4280		4280	0
C&M T&M	10.1.21	14450 S/L	7		2064		2064	0
Dodge Diesel 4wh dr truck with cm ber	3.16.22	58431 S/L	7		8347		8347	0
Assets disposed	2021	-23900						0

**MCCREARY COUNTY WATER
MIDPOINT DEPRECIATION SHEET**

ACCOUNT	Date	Item Cost	Method	Life	Midpoint	2023 new	Reported	Adjustment
					Service		Actual	
					Adjusted		12.31.23	
Truck Equipment	6.22.23	11525 S/L	7		823	11525	823	0
Ford Ranger	9.15.23	10250 S/L	7		732	10250	732	0
								0
		414736			28264		28264	0
343 Shop Equipment								0
								0
Various	12.31.79	49552 S/L	17.5		0		0	0
								0
		49552			0		0	0
344 Lab Equipment								0
Water Treatment Plant No 2	6.30.04	78000 S/L	17.5		0		0	0
								0
		78000			0		0	0
345 Power Oriented Equipment								0
								0
580 M Case Backhoe	5.10.02	51672 S/L	12.5		0		0	0
								0
Bore Machine	6.30.92	2500 S/L	12.5		0		0	0
								0
Bore Machine	6.30.93	8500 S/L	12.5		0		0	0
D-3 Dozer	6.30.94	18000 S/L	12.5		0		0	0
Vermeer Trencher	3.21.00	72713 S/L	12.5		0		0	0
1/2 1850 Mower	7.18.03	1012 S/L	12.5		0		0	0
Gas Generator	7.9.04	300 S/L	12.5		0		0	0
Emergency Generator	5.6.05	19747 S/L	12.5		0		0	0
Boe It Machine	12.18.08	19500 S/L	12.5		0		0	0
Vermeer	9.1.06	54115 S/L	12.5		0		0	0
Dixie Chopper	7.25.07	6900 S/L	12.5		0		0	0
Jack Hammer Air Compressor	12.29.08	4250 S/L	12.5		0		0	0
Case Excavator and bucket	12.1.09	128075 S/L	12.5		0		0	0
Diesel and Gas Generator used	6.4.10	5000 S/L	12.5		0		0	0
Hammer for Equipment	7.8.10	18750 S/L	12.5		0		0	0
Takeuchi TB153 Excavator	6.15.11	38463 S/L	12.5		0		0	0
185 CFM Sullair Air Compressor	12.13.12	13500 S/L	12.5		484		484	0
Straw blower	4.7.16	3000 S/L	12.5		240		240	0
100 KW Kohler Mobile Generator	8.27.20	24000 S/L	12.5		1920		1920	0
Takeuchi Trac Hoe	10.15.20	59960 S/L	12.5		4797		4797	0
Boe It Machine	12.18.08	-19500 S/L	12.5		0	-19500	0	0
								0
		530457			7441		7441	0
								0
Telemetry Equipment	1.16.08	84888 S/L	10		8489		4851	3638
Telemetry Equipment	12.16.22	11000 S/L	10		1100		629	471
Telemetry Equipment	10.21.22	14900 S/L	10		1490		851	639
			17.5					0
		110788			11079		6331	4748
								0
346 Communication Equipment								0
								0
								0
Grand Totals		47,946,900			1,067,018	846878	1,088,577	(21,559)

EXHIBIT G

EXHIBIT G-1

ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
MCCREARY COUNTY WATER DISTRICT

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and McCreary County Water District (the "Governmental Agency"), dated as of January 1, 2005

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

DISTRIBUTION LIST

Mr. Raymond Taylor, Chairman
McCreary County Water District
P.O. Box 488
Whitley City, Kentucky 42653

Ms. Sandy Williams
Kentucky Infrastructure Authority
375 Versailles Road
Frankfort, Kentucky 40601-3646

Ms. Kelli Rice
Resource Planning and Program Support Branch
Division of Water
Natural Resources and Environmental Protection Cabinet
14 Reilly Road
Frankfort, Kentucky 40601

Mr. Charles Lush, Jr.
U.S. Bank National Association
Corporate Trust Services
Locator CN-KY-0850
One Financial Square
Louisville, Kentucky 40202


Dirk M. Bedarff, Esq.
Peck, Shaffer & Williams LLP
118 W. Fifth Street
Covington, Kentucky 41011

January 25, 2005

Kentucky Infrastructure Authority
375 Versailles Road
Frankfort, Kentucky 40601


Re: Assistance Agreement by and between Kentucky Infrastructure Authority and
McCreary County Water District, dated as of January 1, 2005.

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 McCreary 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 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 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
- 

BOX 69 COURTHOUSE SQUARE
WHITLEY CITY, KENTUCKY 42653

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 court or administrative order, decree or ruling or any law, statute, ordinance or regulation, of 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.

BOX 69 COURTHOUSE SQUARE
WHITLEY CITY, KENTUCKY 42653

- 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
- 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 promptly convened and held in substantial compliance with the applicable provisions of Section 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,



Tim Lavender

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and McCreary County Water District (the "Governmental Agency"), dated as of January 1, 2005

GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY

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

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

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

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

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

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

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

any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with the Assistance Agreement.

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

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

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

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

WITNESS our signatures, this 25th day of January, 2005.

**GOVERNMENTAL AGENCY:
MCCREARY COUNTY WATER DISTRICT**

By: Raymond Taylor
Name: Raymond Taylor
Title: Chairman

ATTEST:

By: Larry W. Campbell
Name: Larry Campbell
Title: Secretary

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F04-03

BORROWER: McCreary County Water District

BORROWER'S ADDRESS: P.O. Box 488
Whitley City, Kentucky 42653

DATE OF ASSISTANCE AGREEMENT: January 1, 2005

CFDA NO.: 66.468

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

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

WITNESSETH

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

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

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

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

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

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

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

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

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

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

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

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

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

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

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable

from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

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

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

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

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

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

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

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

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

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

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

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

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

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

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

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

Social Policy Authorities

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

- (g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

- (a) KRS 224
- (b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (c) KRS Chapter 337, Labor Laws
- (d) 401 KAR Chapter 5

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

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX

MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

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

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

ATTEST:

KENTUCKY INFRASTRUCTURE
AUTHORITY

M. Dennis P. ...

Title: Secretary

By: Ing. E. Hylke

Title: Executive Director

ATTEST:

GOVERNMENTAL AGENCY:
MCCREARY COUNTY WATER DISTRICT

Ray W. Gull
Title: SECRETARY

By: Raymond Taylor
Title: CHAIRMAN

APPROVED:

AB Rudolph
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:

Beck, Shaffer + Williams LLP
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENVIRONMENTAL AND PUBLIC PROTECTION
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: David W. Morgan
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

J. Gary Bole
APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
MCCREARY COUNTY WATER DISTRICT
PROJECT SPECIFICS
F04-03

GOVERNMENTAL AGENCY:

Name: McCreary County Water District
Address: P.O. Box 488
Whitley City, Kentucky 42653

ENGINEER:

Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, Kentucky 40342

Contact

Person: Mr. Raymond Taylor, Chairman
Phone: 606-376-2540
Fax: 606-376-5507

Mr. Dave Bowles, P.E.
502-839-1310
502-839-1373

SYSTEM: Drinking water

PROJECT: Expansion of the existing Wilborg Water Treatment Plant from 1 million gallons per day (MGD) to 3 MGD and construction of 11,475 linear feet of transmission main.

PROJECT COST BREAKDOWN:

	Fund F Loan	EDA Grant	LGEDA Grant	BOP Grant	Total
Administrative Expenses		35,000		35,000	70,000
Engineering Fees - Design				156,644	156,644
Engineering Fees – Const.				89,229	89,229
Engineering Fees – Insp.				118,883	118,883
Construction	1,510,000	812,000	450,000	781,636	3,553,636
Contingency				178,423	178,423
Other				40,000	40,000
Total	1,510,000	847,000	450,000	1,399,815	4,206,815

FUNDING SOURCES:

Fund F Loan	1,510,000	36%
EDA Grant	847,000	20%
LGEDA Grant	450,000	11%
BOP Grant	1,399,815	33%
Total	4,206,815	100%

KIA Fund F LOAN AMOUNT: \$ 1,510,000
LOAN RATE: 1.0%
ESTIMATED ANNUAL DEBT SERVICE PAYMENT: \$ 87,264
REPAYMENT TERM: 20 yrs

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds.
(est 6/1/2005).

Full principal and interest payments will commence within one year of initiation of operation. (est 6/1/2006).

REPLACEMENT RESERVE ACCOUNT: The city will be required to make annual deposits of \$4,740 into a borrower held account until the balance reaches \$47,400 and maintained for the life of the loan.

ADMINISTRATIVE FEE: .25%
DEFAULT RATE: 8.0%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

Issue - Water	Date of Issue	Original Amount	Amount Outstanding
Ky Rural Water	2004	2,200,000	\$2,200,000
USDA-RD	1993	794,000	713,000
USDA-RD	1997	390,000	362,500
USDA-RD	2001	2,500,000	2,447,000

Issue - Wastewater	Date of Issue	Original Amount	Amount Outstanding
USDA-RD	1997	1,000,000	928,000
USDA-RD	2002	850,000	850,000
USDA-RD	1997	972,000	916,000

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	<u>\$1,000,000.00</u>
Death or Personal Injury (per occurrence)	<u>1,000,000.00</u>
Property Damage on System	<u>2,000,000.00</u>

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED JANUARY 1, 2005
LOAN NO. F04-03**

Request No. _____

Dated: _____

Original sent to: Kentucky Infrastructure Authority
375 Versailles Road
Frankfort, Kentucky 40601

Copy sent to: Branch Manager
Resource Planning and Program Support Branch
Division of Water
Natural Resources and
Environmental Protection Cabinet
14 Reilly Road
Frankfort, Kentucky 40601

FROM: MCCREARY COUNTY WATER DISTRICT (the "Governmental
Agency")

Gentlemen:

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

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

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

ELIGIBLE PROJECT EXPENSES INCURRED

<u>Contractor</u>	<u>Expenses this Request</u>	<u>Expenses to Date</u>
-------------------	----------------------------------	-----------------------------

Total

ALLOCATION OF FUNDING FOR EXPENSES

<u>Funding Source</u>	<u>Portion of Expenses this Request</u>	<u>Portion of Expenses Total to Date</u>
-----------------------	---	--

Totals

The Governmental Agency certifies it has also paid Project expenses for planning and design or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

<u>Funding Source</u>	<u>Amount of Payment or Requisition</u>	<u>Date of Payment or Requisition</u>
-----------------------	---	---

Respectfully submitted,

Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO
PAYMENT REQUEST

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Architect

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

[SEE ATTACHED]

**MCCREARY COUNTY WATER DISTRICT
P.O. BOX 488
WHITLEY CITY, KY. 42653
(606) 376-2540**

EXCERPTS OF THE JANUARY 25, 2005 BOARD MEETING

RAYMOND TAYLOR CALLED THE MEETING TO ORDER WITH THE FOLLOWING BOARD MEMBERS PRESENT:

COMMISSIONER	RAYMOND TAYLOR	PRESENT
COMMISSIONER	BUTLER WATERS	PRESENT
COMMISSIONER	LARRY CAMPBELL	PRESENT
COMMISSIONER	GEORGE SAMPSON	ABSENT
COMMISSIONER	DOUG SEXTON	ABSENT

LARRY CAMPBELL MADE THE MOTION TO APPROVE THE MINUTES FROM DECEMBER 28, 2004 AND JANUARY 11, 2005. SECONDED BY BUTLER WATERS.

COMMISSIONER	RAYMOND TAYLOR	PRESENT
COMMISSIONER	BUTLER WATERS	PRESENT
COMMISSIONER	LARRY CAMPBELL	PRESENT
COMMISSIONER	GEORGE SAMPSON	ABSENT
COMMISSIONER	DOUG SEXTON	ABSENT

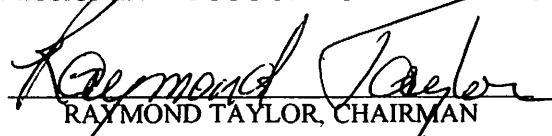
KIA FUND F.

SUPT. OWENS TURNED THE MEETING OVER TO WAYLON WRIGHT (LCADD). WAYLON WRIGHT SAID KIA WHO IS ADMINISTRATING THE FUND F HAS A RESOLUTION FOR AN ASSISTANCE AGREEMENT THAT THE BOARD WILL NEED MAKE A MOTION ON. THIS IS A \$1,510,000 LOAN WITH 1% INTEREST RATE. THIS WILL REPLACE THE KIA FUND C LOAN. THERE IS SOME PAPER WORK THAT WILL NEED TO BE SIGNED BY THE CHAIRMAN AND THE SECRETARY.

(GEORGE SAMPSON NOW JOINS THE MEETING.)

LARRY CAMPBELL MADE THE MOTION THAT THE WATER DISTRICT RATIFY THE EXECUTION AND DELIVER AN ASSISTANCE AGREEMENT DATED AS OF JANUARY 1, 2005 BETWEEN THE MCWD AND THE KENTUCKY INFRASTRUCTURE AUTHORITY. ALSO THAT THE CHAIRMAN SIGN ANY AND ALL NECESSARY DOCUMENTS THAT PERTAIN TO THE SAID AGREEMENT. SECOND BY BUTLER WATERS.

COMMISSIONER	RAYMOND TAYLOR	YEA
COMMISSIONER	BUTLER WATERS	YEA
COMMISSIONER	LARRY CAMPBELL	YEA
COMMISSIONER	GEORGE SAMPSON	YEA
COMMISSIONER	DOUG SEXTON	ABSENT


RAYMOND TAYLOR, CHAIRMAN

**McCreary County Water District
P.O. Box 488
Whitley City, KY. 42653
(606) 376-2540**

RESIDENTIAL & NON-RESIDENTIAL

First 2,000 Gallons (\$14.95 Minimum Bill)
Over 2,000 Gallons (\$4.95 Per Thousand Gallons)

WATER CONNECTION FEE

5/8" X 3/4" Meter \$350.00
All Larger Size Meters Actual Cost

P.S.C. 2004-00206

June 29, 2004

EXHIBIT D

RESOLUTION

RESOLUTION OF THE MCCREARY COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF JANUARY 1, 2005 BETWEEN THE MCCREARY COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the McCreary 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 January 1, 2005 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the McCreary 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 _____, 2005.

Chairman

Attest:

Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on _____, 2005; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2005.

Recording Officer

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
375 Versailles Road
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
McCreary County Water District, dated as of January 1, 2005

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 McCreary 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
MCCREARY 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: _____

**MCCREARY COUNTY WATER DISTRICT
Governmental Agency**

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

29888.1

RESOLUTION

RESOLUTION OF THE MCCREARY COUNTY WATER DISTRICT RATIFYING THE EXECUTION AND DELIVERY OF AN ASSISTANCE AGREEMENT DATED AS OF JANUARY 1, 2005 BETWEEN THE MCCREARY COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the McCreary 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 January 1, 2005 (the "Assistance Agreement") with the Authority; and

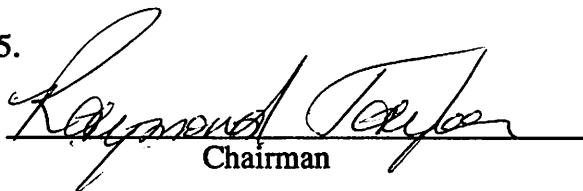
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the McCreary County Water District, as follows:

SECTION 1. That the Governing Authority hereby ratifies and approves the execution and delivery of the Assistance Agreement between the Governmental Agency and the Authority for the purpose of providing the necessary financing to the Governmental Agency for the acquisition and construction of the Project.

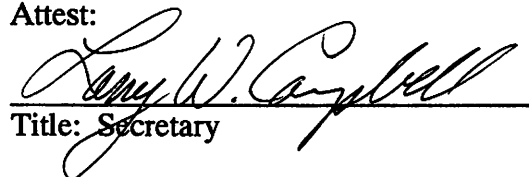
SECTION 2. That the actions of the Chairman and Secretary of the Governmental Agency in executing the Assistance Agreement are hereby ratified and approved, and said officials are further authorized, directed and empowered to execute any additional necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on January 25, 2005.


Chairman

Attest:


Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on January 25, 2005; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 25th day of January, 2005.



Recording Officer

29889.1

**MCCREARY COUNTY WATER DISTRICT
P.O. BOX 488
WHITLEY CITY, KY. 42653
(606) 376-2540**

EXCERPTS OF THE JANUARY 25, 2005 BOARD MEETING

RAYMOND TAYLOR CALLED THE MEETING TO ORDER WITH THE FOLLOWING BOARD MEMBERS PRESENT:

COMMISSIONER	RAYMOND TAYLOR	PRESENT
COMMISSIONER	BUTLER WATERS	PRESENT
COMMISSIONER	LARRY CAMPBELL	PRESENT
COMMISSIONER	GEORGE SAMPSON	ABSENT
COMMISSIONER	DOUG SEXTON	ABSENT

LARRY CAMPBELL MADE THE MOTION TO APPROVE THE MINUTES FROM DECEMBER 28, 2004 AND JANUARY 11, 2005. SECONDED BY BUTLER WATERS.

COMMISSIONER	RAYMOND TAYLOR	PRESENT
COMMISSIONER	BUTLER WATERS	PRESENT
COMMISSIONER	LARRY CAMPBELL	PRESENT
COMMISSIONER	GEORGE SAMPSON	ABSENT
COMMISSIONER	DOUG SEXTON	ABSENT


KIA FUND F.

SUPT. OWENS TURNED THE MEETING OVER TO WAYLON WRIGHT (LCADD). WAYLON WRIGHT SAID KIA WHO IS ADMINISTRATING THE FUND F HAS A RESOLUTION FOR AN ASSISTANCE AGREEMENT THAT THE BOARD WILL NEED MAKE A MOTION ON. THIS IS A \$1,510,000 LOAN WITH 1% INTEREST RATE. THIS WILL REPLACE THE KIA FUND C LOAN. THERE IS SOME PAPER WORK THAT WILL NEED TO BE SIGNED BY THE CHAIRMAN AND THE SECRETARY.

(GEORGE SAMPSON NOW JOINS THE MEETING.)

LARRY CAMPBELL MADE THE MOTION THAT THE WATER DISTRICT RATIFY THE EXECUTION AND DELIVER AN ASSISTANCE AGREEMENT DATED AS OF JANUARY 1, 2005 BETWEEN THE MCWD AND THE KENTUCKY INFRASTRUCTURE AUTHORITY. ALSO THAT THE CHAIRMAN SIGN ANY AND ALL NECESSARY DOCUMENTS THAT PERTAIN TO THE SAID AGREEMENT. SECOND BY BUTLER WATERS.

COMMISSIONER	RAYMOND TAYLOR	YEA
COMMISSIONER	BUTLER WATERS	YEA
COMMISSIONER	LARRY CAMPBELL	YEA
COMMISSIONER	GEORGE SAMPSON	YEA
COMMISSIONER	DOUG SEXTON	ABSENT


RAYMOND TAYLOR, CHAIRMAN

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: 1:30 p.m. on October 7, 2004
Kentucky Infrastructure Authority
375 Versailles Road, Frankfort

Members present:

Mr. John Farris, Deputy Secretary, Finance and Administration Cabinet
(proxy for Secretary R. B. Rudolph, Jr., FAC)
Mr. J. R. Wilhite, Commissioner, Community Development, Economic Development Cabinet
(proxy for Secretary Gene Strong, EDC)
Mr. Lloyd Cress, Commissioner, Department for Environmental Protection, Environmental and Public Protection Cabinet
(proxy for Secretary LaJuana Wilcher, EPPC)
Mr. Robert A. Amato, Deputy Executive Director, Water Revenue Requirements Branch, Public Service Commission
(proxy for Ms. Beth O'Donnell, Executive Director, PSC)
Mr. Jeff Hanna, Infrastructure Branch Manager, Governor's Office for Local Development
(proxy for Commissioner Darrell D. Brock, Jr., GOLD)
Ms. Linda Bridwell, representing for-profit private water companies
Mr. Gregory Heitzman, representing the American Water Works Association
Mr. Lyn Bailey, representing the Kentucky League of Cities

Members absent:

Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Larry Whitaker, representing the Kentucky Association of Counties

Guests:

Mr. Millard Rose, City of Lancaster
Mr. Scott Taylor, Mayes Sudderth Etheridge Engineers
Coleman Bush, Kentucky American Water
Mr. Greg Tomko, Kentucky American Water
Mr. Todd Berger, Berger & Company CPA PSC
Mr. Hollis L. Alexander, City of Cadiz
Ms. Nancy Osborne, Legislative Research Commission
Mr. Jim Reynolds, Legislative Research Commission
Ms. Janice Tomes, Governor's Office of Policy and Management
Mr. Wayne Macy, City of Hardinsburg
Ms. Holly Nicholas, Tetra Tech, Inc.
Ms. Sheryl Chino, Green River Area Development District
Mr. P. Glenn Morrison, East Daviess County Water Association
Mr. Edwin Payne, East Daviess County Water Association
Mr. Thomas Skaggs, Division of Water, Drinking Water Branch, EPPC
Ms. Terri Fugate, Office of Financial Management
Ms. Treva Bowles, Monarch Engineering, Inc.
Mayor Charles Long, City of Booneville
Mr. Ronnie Callahan, Jr., City of Booneville
Mr. Kerry Odle, CMW, Inc.
Mr. Bob Blankenship, HMB Engineers
Mr. Chris Dunaway, Greater Fleming County Regional Water Commission
Mr. William A. Graham, Jr., Greater Fleming County Regional Water Commission
Ms. Jane Brown, HMB Engineers

Guests (continued):

Mr. Tony Harover, Strand Associates
Mr. Mark Askin, Strand Associates
Mayor D. Wotier, City of Owenton
Ms. Freda Prather, City Clerk & Treasurer, City of Owenton
Mr. Richard Bragg, Northern Kentucky Area Development District
Mr. Bob Casker, City of Paris

PROCEEDINGS

Deputy Secretary John Farris, proxy for Chair Robble Rudolph, Jr., Finance Administration Cabinet, chaired the board meeting. Deputy Secretary Farris called a meeting of the Kentucky Infrastructure Authority (KIA) Board to order and asked all attendees to introduce themselves.

Mr. Jody Hughes, Executive Director, KIA, introduced two (2) new Authority board members – Ms. Linda Bridwell, American Water Company, representing for-profit private water companies and Mr. Lyn Bailey, Mayor, City of Cadiz, representing the Kentucky League of Cities. Mr. Hughes noted that a third new member was not in attendance - Mr. Larry Whitaker, representing the Kentucky Association of Counties.

Deputy Secretary Farris noted a quorum was present and that the press had been notified regarding the meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Full Board Meeting of September 2, 2004

Acting Chair Farris called for a motion to approve the minutes of the September 2, 2004, Full Board meeting. Mr. Lyn Bailey moved to approve the minutes; Mr. Greg Heltzman seconded and the motion carried.

B. NEW PROJECTS/ACTION ITEMS

1. ACCEPTANCE OF THE FISCAL YEAR END JUNE 30, 2004, KENTUCKY INFRASTRUCTURE AUTHORITY AUDIT REPORT

Ms. Denise Pitts, KIA, reported on the audit performed by Berger & Company LLC PSC, for the Authority for the year ended June 30, 2004. Ms. Pitts noted that last year the Authority issued \$85 million in grants and loans to grantees and borrowers. The Authority collected about \$21 million in principle on assistance agreements that were outstanding. Mr. Todd Berger, Berger & Company LLC PSC reported that the Authority received an "unqualified opinion" – meaning that the Authority's financial statements were prepared in conformance with Generally Accepted Accounting Principles (GAAP), and fairly represented the Authority's financial condition.

Mr. Heltzman made a motion to accept the audit performed by Berger & Company for the fiscal year end June 30, 2004. Mr. Robert Amato seconded and the motion carried.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN OF \$371,194 TO THE CITY OF BENTON, MARSHALL COUNTY, KENTUCKY

Mr. Kent Anness, KIA, illustrated the location of the project via the Water Resource Information System (WRIS). Mr. Shafiq Amawi, Facilities Branch Manager, Division of Water (DOW), and Ms. Sandy Williams, KIA, presented the project for board consideration.

The City of Benton ("the City") is requesting an increase of \$142,308 to the current KIA loan amount for an addition in scope to a current project. The addition to the project includes replacement of an inferior lift station that would eliminate problem areas in the city's collection system. The replacement of the interceptor will improve the water quality of the local streams and creeks.

The original loan amount of \$228,886 along with the requested increase of \$142,308 will make the total loan amount \$371,194. Staff took the existing cash flows supplied by the borrower for the original loan request, added the new debt service from the additional loan dollars and found that the system still had the ability, without any increase in their rate structure from the original project, to repay the additional loan amount.

The additional financing is requested due to discovery of additional problems during the initial rehabilitation of the sewer system. The Authority will do a supplemental assistance agreement to increase the amount of the original loan.

Both the DOW and KIA staff recommended approval of the requested loan amount.

Mr. Heitzman made a motion to approve the loan request. Commissioner Lloyd Cress seconded and the motion carried.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN OF \$1,052,104 TO THE CITY OF HODGENVILLE, LARUE COUNTY, KENTUCKY

Mr. Anness, KIA, illustrated the location of the project via the Water Resource Information System (WRIS). Mr. Amawi, DOW, and Ms. Williams, KIA, presented the project for board consideration.

The City of Hodgenville ("the City") is seeking a \$1,052,104 KIA Fund A loan for improvements to the City's wastewater treatment facility. The City has been operating the plant above capacity and is under an agreed order from the Division of Water. The City proposes to increase the influent pump station capacity as well as repair excessive inflow and infiltration. Debt service incurred from the project will be paid through increased user rates: \$15.60/4,000 gallons (current) to \$17.94/4,000 gallons (15% increase).

Along with the Fund A loan - \$1,052,104, additional funding would come from an EPA SPAPP Grant - \$582,000, CDBG Renaissance Grant - \$1,000,000, and Local Funds - \$5,000, for a total project amount of \$2,639,104. The twenty (20) year loan would have a rate of 1.00% with an estimated annual payment of \$60,802.

The City has reported sufficient revenue for the operation of its water and sewer departments over the past three (3) years and has sufficient revenue to repay the loan.

Both DOW and KIA staff recommends approval of the loan requested based on the following condition: 1) no funds will be disbursed prior to the implementation of a 15%, or greater, rate increase for the sewer system and a 10%, or greater, rate increase for the water system.

It was noted, before an assistance agreement would be entered into with the City all additional funding source awards would be verified.

Mr. Heitzman made a motion to approve the loan and adopt the resolution. Mr. Amato seconded and the motion carried.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY FOR APPROVAL OF THE PURCHASE OF THE PERRYVILLE UTILITY SYSTEM BY THE CITY OF DANVILLE AND THE ASSUMPTION OF THE FUND A LOAN (A89-06) IN THE AMOUNT OF \$198,913.83

Ms. Williams noted that the City of Perryville had previously acquired a Fund A loan for improvements to its wastewater system. The City of Danville has purchased the assets and assumed the liabilities of the utility system of the City of Perryville.

The original loan has been paid down to \$198,914 and approval is requested from the Authority Board to allow the purchase of the City of Perryville system by the City of Danville and to also allow the City of Danville to assume the liability of those assets they have purchased via the Fund A loan.

Acting Chair Farris called for a motion to approve the City of Danville to purchase of the City of Perryville's assets and assumption of the loan. Commissioner Cress moved to approve the resolution; Mr. Heitzman seconded and motion carried.

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN OF \$1,510,000 TO THE MCCREARY COUNTY WATER DISTRICT, MCCREARY COUNTY

Mr. Anness, KIA, illustrated the location of the project via the Water Resource Information System (WRIS). Mr. Mike Riley, DOW, and Ms. Williams, KIA, presented the project for board consideration.

The project entails the expansion of the exiting Wilborg Water Treatment Plant and construction of transmission main line. The McCreary County Water District ("the District") is proposing to combine the \$1,510,000 Fund F loan with grant funds from EDA - \$847,000, LGEDA - \$450,000 and Bureau of Prisons - \$1,399,815, for a total project amount of \$4,206,815. The District needs additional treatment capacity to serve all customers with safe drinking water. Several citizens still rely on cisterns and this project will provide the capacity to accommodate future water lines to serve these citizens.

The Fund F loan would have a term of twenty (20) years at a rate of 1.00% with an estimated annual payment of \$87,264.

Both DOW and KIA staff recommends approval of the loan requested based on the following condition: 1) the District will provide certification from its auditors that it is in compliance with all outstanding bond covenants including debt coverage ratios and will be in compliance with the addition of this new debt.

Acting Chair Farris called for a motion to approve the resolution. Ms. Linda Bridwell moved to approve the resolution; Mr. Lyn Bailey seconded and the motion carried.

Mr. Amato abstained from voting because of potential conflict of interest.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS 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

Mr. John Covington noted this routine resolution allows KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The project(s) listed below are covered under the resolution.

<u>APPLICANT</u>	<u>FUND</u>	<u>AMOUNT</u>
City of Benton	A	\$ 142,308
City of Hodgenville	A	\$ 1,052,104
McCreary County W.D.	F	\$ 1,510,000

Acting Chair Farris called for a motion to approve the resolution. Mr. Heitzman moved to adopt the reimbursement resolution. Ms. Bridwell seconded and the motion carried.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ACTION TO BE TAKEN ON INFRASTRUCTURE GRANTS THROUGH THE 2020 PROGRAM AND/OR INFRASTRUCTURE REVOLVING FUND (FUND B) PROGRAM WHOSE PROJECTS ARE NOT UNDER CONSTRUCTION

Mr. Jody Hughes, Executive Director, KIA, noted that the Authority staff was instructed by the Board to correspond to those 2020 grantees that had not started construction and did not anticipate starting construction by the end of

2004. Those grantees seeking an extension were invited to attend the board meeting and show cause as to why an extension should be granted.

The Authority entered into an Assistance Agreement for a grant from the Authority's 2020 Program and/or Infrastructure Revolving Fund (Fund B) with each of the entities designated below, each of which committed to a construction start deadline of December 31, 2003. The Authority has allowed these projects to extend past the December 31, 2003 deadline and wishes to take action on the status of grants awarded to these entities by either extending or revoking each of the 2020/Fund B grants individually under the terms and conditions prescribed by the Authority's Board.

Ms. Suzanne Anderson, KIA, Mr. Covington, KIA, and respective representatives presented the 2020 grants that were seeking extensions.

City of Paris Bourbon Co. WX21017002 \$ 1,000,000

This project will consist of waterline extensions consisting of 34.6 miles around the City of Paris ("the City"). These new lines will be supplied by the City and will serve an estimated 242 people. The City has most of the funding in place and has submitted the majority of the documents required. The project has not yet gone to Capital Projects and Bond Oversight Committee for approval. Mr. Bob Cash, City Manager, City of Paris, noted that the City is now in the process of seeking condemnation of five (5) to six (6) easements from landowners who are unwilling to allow easements across their property. After receiving authorization from Rural Development ("RD") the City will go to bid and move forward with the project.

Mr. Heitzman made a motion to allow the grant application to be extended conditioned upon the RD contract being awarded and construction started on or before April 1, 2005. Mr. Bailey seconded and the motion carried.

Ms. Bridwell abstained from voting because of potential conflict of interest.

City of Hardinsburg Breckenridge Co. WX21027001 \$ 225,000

The City of Hardinsburg Water Company ("the Water Company") is proposing to construct a 3.3 mgd regional water treatment plant that will utilize groundwater from wells near the Ohio River. The project will also include the construction of approximately twenty (20) miles of transmission line. The grant Assistance Agreement documents have been submitted. The project has been through the Kentucky State Clearinghouse but has not been to the Capital Projects and Bond Oversight Committee. The Water Company has identified all funding sources but does not have binding commitments from all the sources in place.

Ms. Holly Nicholas, Tetra Tech, noted that two major problems with the existing treatment plant and its location: 1) The existing intake structure is located in an area of Rough River that has an ongoing sediment problem. When the Corps of Engineers lowers the reservoirs to winter pool level the bottom intake has become submerged in sediment. Also, the existing source is high in organic material, which has resulted in the formation of trihalomethanes (THMs). The City has been a persistent violator of the maximum contaminates level MCL for THMs. 2) Testing of the groundwater revealed the presence of nitrates in the water. After considerable testing of the groundwater, pilot testing of the proposed treatment method and numerous reports, a source of water and treatment method was approved by DOW. Due to these delays, construction of

the water treatment plant and transmission mains has not yet begun. The plans for the transmission mains are complete and it is anticipated that DOW will approve both the plant and transmission main plans by early to mid November. Bids for construction would then be advertised in December with a bid opening date tentatively scheduled for January 2005. The start construction date is tentatively scheduled for mid to late spring 2005.

As soon as the Phase II archeology survey is concluded the environmental assessment will be completed and at that point Rural Development will make its commitment of funds.

Mr. Heitzman made a motion to allow the grant application to be extended and construction started on or before May 1, 2005. Mr. Bailey seconded and the motion carried.

Albany Water Service Clinton Co. WX21053001 \$ 220,000

The project consists of 9.55 miles of new waterline in the Bald Rock area of southeastern Clinton County. The Albany Water Service has submitted the grant assistance agreement documents and the project has been to the Kentucky State Clearinghouse and the Capital Projects and Bond Oversight Committee. Ms. Treva Bowles, Monarch Engineering, noted that a bid date was set for October 28, 2004, and the project would be under construction by the end of 2004.

Authority Board action was not required.

City of Lancaster Garrard Co. WX21079002 \$ 100,000

This project will construct new transmission/distribution mains in the Lancaster system to improve reliability, maintenance capability and flow capacity, alleviate water quality problems with severely tuberculated mains and improve pressures and flow to area residents and the Garrard County Water Association. The City of Lancaster ("the City") has submitted the grant assistance agreement documents and the project has been to both the Kentucky State Clearinghouse and the Capital Projects and Bond Oversight Committee. Mr. Scott Taylor, Mayes Sudderth and Etheridge Engineers, noted that the City is currently in the process of completing the Environmental Review Record and obtaining easements. The project has received DOW approval. The City anticipates advertising for construction bids at the end of December 2004.

Mr. Amato made a motion to allow the grant application to be extended and construction started on or before April 1, 2005. Ms. Bridwell seconded and the motion carried.

E. Daviess Co. Wtr. Assoc. Hancock Co. WX21059007 \$ 100,000

This project involves the construction of 300,000-gallon storage tank at Yelvington. This project also involves the extension of a 10-inch reinforcing main from the end of an existing 10-inch main in Pellville running east along KY144 to KY69 and south along KY69 to the new storage tank. The East Daviess County Water Association ("the Water Association") has submitted the grant assistance agreement documents and the project has been to the Kentucky State Clearinghouse and the Capital Projects and Bond Oversight Committee. Mr. Glenn Morrison, Johnson, Depp and Quisenberry, noted that the preliminary engineering reports had been submitted to Rural Development and the environmental review is complete. Plans and specifications have been

completed and submitted to DOW. It is anticipated that the project will be bid in January 2005.

Mr. Heltzman made a motion to allow the grant application to be extended and construction started on or before May 1, 2005. Ms. Bridwell seconded and the motion carried.

Henderson Water Utility Henderson Co. WX21101005 \$ 600,000

This project involves the connection of Webster County Water District to the Henderson Water Utility ("the Utility"). Through the connection of the utilities, both partners will gain added storage and available water capacity. The Utility has submitted the grant assistance agreement documents and the project has been to the Kentucky State Clearinghouse and the Capital Projects and Bond Oversight Committee. The anticipated project construction date is November 2004.

Authority Board action was not required.

City of Harrodsburg Mercer Co. WX21167004 \$ 1,000,000

This project consists of Phase I - water treatment plant upgrading improvements, water transmission mains and water storage improvements. This project is already under construction.

Authority Board action was not required.

City of Owenton Owen Co. WX21187207 \$ 100,000

This project will construct a new intake on the Kentucky River, replacing the current Severn Creek intake. It will improve water quality and allow for increased flow. The City of Owenton ("the City") has submitted the grant assistance agreement documents and the project has been to the Kentucky State Clearinghouse and the Capital Projects and Bond Oversight Committee. The project has been delayed due to complications with the Environmental Protection Administration grant, delays in the environmental review process and delays in obtaining matching funds. Mr. Colin Bush, Kentucky American Water Company ("the Water Company"), noted that the Water Company has entered into a contract with the City to purchase their existing water and wastewater assets. However, the City will own the new water intake. Mr. Richard Bragg, Northern Kentucky Area Development District, stated that the environmental review would be completed in the near future. Mr. Covington noted that the City would be seeking a Fund B loan that would be used as matching funds for this 2020 project.

Mr. Heltzman made a motion to allow the grant application to be extended and construction started on or before May 1, 2005. Mr. Bailey seconded and the motion carried.

Ms. Bridwell abstained from voting because of potential conflict of interest.

City of Booneville Owsley Co. WX21189001 \$ 481,035

This project includes water line extensions of 34.3 miles to serve 151 new customers. Areas to be served include Buffalo, Stay, Fish Creek/Winkler, Brushy Creek, Greenhall, 1071, Chadwell/847, White Oak, Highway 11/Sexton Creek, Anglin Creek, Allen Road and Doe. The City of Booneville ("the City") has submitted the grant assistance agreement documents and the project has been

to the Kentucky State Clearinghouse and the Capital Projects and Bond Oversight Committee. Mr. Kerry Odle, CMW, Inc., noted that obtaining additional funding for the 2020 project is the delay on moving forward with this project. The City is awaiting approval of a Rural Development grant in the amount of \$531,465. It is also requesting that funds designated for a sewer project be moved legislatively through the budget appropriation process from the sewer project to this water project. DOW approved the plans for the project in November 2003.

Mr. Amato made a motion to allow the grant application to be extended to May 1, 2005, and the Authority board would review the funding situation at that time. Commissioner Cress seconded and the motion carried.

City of Mt. Vernon Rockcastle Co. WX21203524 \$ 110,000

This project will include a new raw water intake structure at the lake with completion of the parallel raw water main from the lake to the water treatment plant. The line will be a 30-inch line and include the necessary equipment to pump and meter the raw water inflow. The City of Mt. Vernon ("the City") has submitted the grant assistance agreement documents and the project has been to the Kentucky State Clearinghouse and the Capital Projects and Bond Oversight Committee. The City is currently revising the project design and securing funding.

There being no representative in attendance for the City of Mt. Vernon, Mr. Heitzman made a motion to defer this project to a later Board meeting to allow a representative to attend and give details of the City's need for an extension. Commissioner Cress seconded and the motion carried.

City of Russell Springs Russell Co. WX21207002 \$ 279,750

The project consists of 10.76 miles of new waterline primarily located between the City of Russell Springs and the Eli community of eastern Russell County, extended by the City of Russell Springs plus a modified pump station which will serve the entire community. This project is currently under construction.

Authority Board action was not required.

Monticello Utility Comm. Wayne Co. WX21231002 \$ 711,550

The project consists of 39.4 miles of new waterline to serve the Brocade area and other communities in the vicinity of the Little South Fork along the boundary of eastern Wayne County. The Monticello Utility Commission ("the Commission") has submitted the grant assistance agreement documents and the project has been to the Kentucky State Clearinghouse and the Capital Projects and Bond Oversight Committee. Ms. Treva Bowles, Monarch Engineers, noted that the primary delay on this project was acquiring the easements. The City's attorney has signed off on the easements and bids will be advertised in early to mid November 2004. Construction is anticipated to begin in January 2005.

Mr. Amato made a motion to allow the grant application to be extended and construction started on or before April 1, 2005. Mr. Heitzman seconded and the motion carried.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE REALLOCATION OF \$685,358 OF 2020 ACCOUNT PROGRAM FUNDS TO THE GREATER FLEMING COUNTY REGIONAL WATER COMMISSION (PROJECT WX21069001)

Ms. Williams, KIA, noted that the Western Fleming County Water District ("the Water District") returned \$685,358 of 2020 grant funds. The Water District received a grant award with a special condition attached to it that was for the benefit of the Greater Fleming County Regional Water Commission ("the Commission") and its members. The Commission is requesting that the grant amount of \$685,358 be reallocated to reflect the original intent of the grant that was intended to be expended to develop transmission and distribution facilities or to benefit of the Commission and its members.

Mr. Bill Graham, Chairman, Greater Fleming County Regional Water Commission, stated that the Commission has been in place for approximately five (5) years. The original project is about 85% complete. It is anticipated that within six (6) to 8 (eight) weeks the facility will be operational. The Commission would like to extend another mile of line to serve an industrial park and create new infrastructure. This projected effort would help southeastern Fleming County serve more customers. The Commission also requests to use a portion of the grant funds to reduce some of its outstanding debt.

The original grant was in the amount of \$1.5 million with one half million dollars used for improvements to the Western Fleming's plant and one million dollars to run transmission line from a point in the Greater Fleming system through the Western Fleming system. The demand did not materialize and \$685,358 of the grant was returned to the Authority. Western Fleming received a portion of the \$1 million because its plant improvements ran over budget.

Ms. Jane Brown, HMB Engineers, noted that the reduction of the debt service would help reduce the user rates. Mr. Bob Blankenship, HMB Engineers, stated that one of the four (4) member entities, the Nicholas County Water District, has drawn back its usage and do not participate and have not signed a commitment for water. The Commission does not have the usage that was anticipated in the beginning. It is hoped that the loss of Nicholas County Water District would be offset by the debt service reduction.

During Board discussion concern was expressed as to whether the 2020 grant funds should be used to reduce existing debt service or be returned to the 2020 pool and be reallocated to other worthy and qualified projects.

Mr. Amato made the motion to reallocate funds for the waterline extension to the industrial park as outlined in the resolution but defer the remainder of the requested increase to a future Authority Board meeting. Mr. Bailey seconded the motion.

Mr. Heitzman expressed his concern as to the consistency of reallocating the funding. He requested that the Authority staff review projects that change scope and prepare guidelines associated with how the Board would be able to appropriately reallocate funding for projects and still maintain the integrity of the process when other worthy projects are waiting for funding.

There being no further discussion, Acting Chair Farris noted the two (2) motions made and asked for a vote. Motion carried 7 to 1.

It was further clarified that the motion and resolution would reflect that the change order would not exceed the amount of \$342,679 (50% of the requested amount).

Mr. Heitzman requested a summary of the 2020 grant funds allocated to the Western Fleming County Water District and the Greater Fleming County Regional Water Commission to be prepared for the Board.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AND APPROVING THE AUTHORITY TO ENTER INTO A CONTRACT WITH CONNECTKENTUCKY IN SUPPORT OF BROADBAND DEPLOYMENT IN THE COMMONWEALTH OF KENTUCKY AND ALLOWING BROADBAND ASSESSMENT FUNDING FROM FUND B

Mr. Dan Waits, KIA, noted that Governor Fletcher announced his initiative to provide broadband through the Commonwealth. This concurs with the President's challenge to have full broadband deployment by 2007. ConnectKentucky is the entity that heads this initiative. ConnectKentucky will collaborate with the Kentucky Infrastructure Authority to produce a GIS-based inventory of existing broadband infrastructure and service availability. The Authority's work with the WRIS will provide the foundation for the broadband mapping.

The Authority is requesting approval from the Board to use \$400,000 from the Fund B Program for the assessment phase of the project.

Mr. Heitzman made a motion to approve the resolution. Ms. Bridwell seconded and the motion carried.

Mr. John Farris, Deputy Secretary, Finance and Administration Cabinet, abstained from voting on the resolution.

II. ISSUES AND STATUS REPORTS

STATUS REPORTS FOR FUNDS

- A. Coal/Tobacco Development Fund Grants**
- B. 2020 Account/Fund B Grants**
- C. 2003 Coal Severance Grants**
- D. Coal Severance Grants**
- E. Funds A, A1, B, B1, C, E, F, F1**

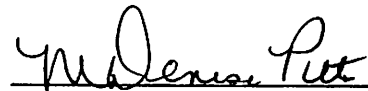
Mr. Hughes, KIA, noted that a copy of the above mentioned status reports are included in the board book for information purposes.

III. **ANNOUNCEMENTS/NOTIFICATIONS**

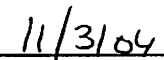
- **Next KIA Board Meeting**
Thursday, November 4, 2004, 1:30 p.m.
KIA Office, 375 Versailles Road, Frankfort
- Mr. Hughes, KIA, noted that an Executive Committee meeting would be required within the next few weeks in order to set interest rates for the Fund B Program.

There being no further business, Acting Chair Farris called for a motion to adjourn. Mr. Amato moved to adjourn; Mr. Heitzman seconded and motion carried. The meeting adjourned at 3:45 p.m.

Submitted by:



M. Denise Pitts, CPA, Secretary
Kentucky Infrastructure Authority



Date



Kentucky Infrastructure Authority

375 Versailles Road
Frankfort, Kentucky 40601-3646
502-573-0260 • 502-573-0157 fax
<http://wris.state.ky.us/kia/>

October 8, 2004

Mr. Raymond Taylor
Chairman
McCreary County Water District
P.O. Box 488
Whitley City, Kentucky 42653

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F04-03)**

Dear Mr. Taylor:

The Kentucky Infrastructure Authority (KIA) commends your efforts to improve public service facilities in your community. Your loan application to the KIA for expansion of the Wilborg Water Treatment Plant was approved by KIA on October 7, 2004. The total cost of the project shall not exceed \$4,206,815 of which the KIA loan shall provide up to \$1,510,000. Other anticipated funding for the project is reflected in the attached credit analysis. The credit analysis and the Application for Loan Assistance incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between KIA and the McCreary County Water District upon satisfactory performance of the conditions set forth in this letter. A period of six months from the date of this letter (April 8, 2005) will be allowed for you to meet the conditions set forth in this letter. Funds will be available for disbursement only after execution of the loan agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The KIA project loan shall not exceed \$1,510,000.
2. The loan shall bear interest at the rate of 1.0% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.



An Equal Opportunity Employer M/F/D

4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. An annual loan servicing fee of 0.25% of the outstanding loan balance shall be payable to KIA as a part of each interest payment.
7. Loan funds will be disbursed after execution of the loan agreement as project costs are incurred.
8. KIA loan funds must be expended within six months of official date of initiation of operation.
9. KIA Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. KIA requires an annual audit to be preformed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the agreement. Any required documentation must be submitted to the Division of Water (DOW).

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 21 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.

Mr. Taylor
October 8, 2004
Page Three

3. The final plan of operation must be approved prior to 50 percent payment.
4. The draft operation and maintenance manual must be approved prior to 90 percent payment. The final operation and maintenance manual must be approved prior to final payment and loan closing.
5. The city must agree to expend all KIA loan funds within six months of the date of initiation of operation.
6. Documentation of final funding commitments from all parties other than KIA as reflected in the credit analysis shall be provided prior to preparation of the loan agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration. (KIA)
7. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
8. The city must complete and return to KIA the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

Any special conditions listed below and/or stated in the credit analysis must be resolved.

1. The District must provide certification from its auditors that it is in compliance with all outstanding bond covenants including debt coverage ratios and will be remain in compliance with the addition of this new debt.

Please inform KIA of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



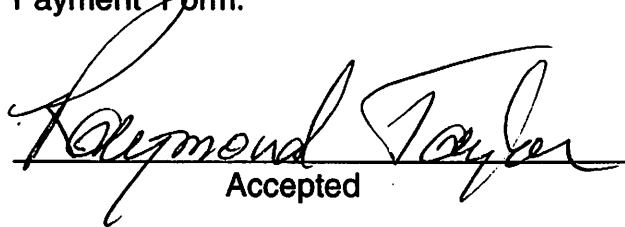
Sandy Williams
Financial Analyst

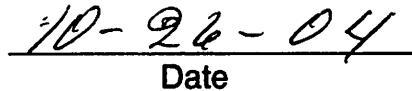
Mr. Taylor
October 8, 2004
Page Four

Attachments

cc: Kelli Rice, Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, GOLD

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.


Accepted


Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F Loan # F04-03)**

Borrower Information:

Name: McCreary Co. Water District
Address: PO Box 488
City: Whitley City State: KY Zip: 42653
Telephone: 606-376-2540 Contact: Stephen T. Owens
Federal I.D. # [REDACTED]

Financial Institution Information:

Bank Name: Bank of McCreary County
Branch: [REDACTED] Phone No: 606 376 5031
City: Whitley City State: KY Zip: 42653
Transit / ABA No.: [REDACTED]
Account Name: McCreary Water District/Prison/Water
Account Number: [REDACTED]

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: Raymond Taylor Date: 11/3/04
Name Printed: Raymond Taylor Job Title: Chairman

Please return completed form to:

Kentucky Infrastructure Authority
375 Versailles Road
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157

TO DP
1-12-05

EXECUTIVE SUMMARY**KENTUCKY INFRASTRUCTURE AUTHORITY
FUND F, FEDERALLY ASSISTED WASTEWATER
REVOLVING LOAN FUND**

Reviewer: Sandy Williams

Date: October 5, 2004

BORROWER		McCreary County Water District McCreary County			
BRIEF DESCRIPTION		The Wilborg Water Treatment Plant is to be expanded from 1 million gallons per day (gpd) to 3 million gpd. The project also entails the construction 11,475 linear feet of transmission main line. Several McCreary County citizens still rely on cisterns for drinking water and this project will provide the capacity to accommodate future expansions allowing service to these citizens.			
PROJECT FINANCING		PROJECT BUDGET			
Fund F Loan	\$	1,510,000	Administrative Expenses	\$	70,000
EDA Grant		847,000	Engineering Fees - Design		156,644
LGEDA Grant		450,000	Engineering Fees - Construction		89,229
Bureau Of Prisons Grant		1,399,815	Engineering Fees - Inspection		118,883
TOTAL	\$	4,206,815	Construction		3,553,636
			Contingency		178,423
			Other	\$	40,000
			TOTAL	\$	4,206,815
REPAYMENT		Est. Annual Payment \$87,264			
	Rate	1.00%	1st Payment 6 Mo. after first draw		
	Term	20 years			
PROFESSIONAL SERVICES		Engineer Monarch Engineering, Inc.			
	Bond Counsel	Peck, Shafer, & Williams			
PROJECT SCHEDULE		Contract 25		Contract 26	
	Construction Award:	1/9/03		2/28/03	
	Construction Start:	3/21/03		3/21/03	
	Construction Stop:	Fall 2004		Fall 2004	
DEBT PER CUSTOMER		Existing:	\$	923.52	
		Proposed:	\$	981.56	
OTHER DEBT		See Attached			
OTHER STATE FUNDED PROJECTS LAST 5 YRS		See Attached			
RESIDENTIAL RATES			<u>Users</u>	<u>Avg. Bill</u>	
	Current		5830	\$17.45 (for 4,000 gallons)	
	Additional Proposed		0	\$24.85 (for 4,000 gallons)	
REGIONAL COORDINATION		This project is consistent with regional planning recommendations.			
CASHFLOW		Cash Available for		Income after	
		Debt Service	Debt Service	Debt Service	Coverage Ratio
Audited 1997		323,934	223,853	100,081	1.45
Audited 1998		355,029	243,720	111,309	1.46
Audited 1999		299,168	250,525	48,643	1.19
Audited 2000		129,715	249,453	-119,738	0.52
Audited 2001		246,280	249,629	-3,349	0.99
Budget 2002		373,000	248,850	124,150	1.50
Projected 2005		521,203	474,950	46,253	1.10
RATIOS		Current Ratio	Debt to Equity	Working Capital	
Audited 1998		11.16	0.74	\$373,735	
Audited 1999		10.08	0.72	\$305,147	
Audited 2000		8.17	0.60	\$378,149	
Audited 2001		10.48	0.74	\$317,035	
Projected Project Completion		9.20	0.76	\$327,328	

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING FUND (FUND F)
MCCREARY COUNTY WATER DISTRICT, MCCREARY COUNTY**

PROJECT REVIEW

I. PROJECT DESCRIPTION

The McCreary County Water District is proposing to use a \$1,510,000 KIA Drinking Water Revolving Fund loan combined with grant funds from EDA, LGEDA and BOP to expand the existing Wilborg Water Treatment Plant from 1 million gallons per day (MGD) to 3 MGD. The project also consists of the construction of 11,475 linear feet of transmission main. The water district needs additional treatment capacity to serve all customers with safe drinking water. Several McCreary County citizens still rely on cisterns. This project will provide the capacity to accommodate future water lines to serve these citizens.

II. PROJECT BUDGET

	Fund F Loan	EDA Grant	LGEDA Grant	BOP Grant	Total
Administrative Expenses		35,000		35,000	70,000
Engineering Fees - Design				156,644	156,644
Engineering Fees – Const.				89,229	89,229
Engineering Fees – Insp.				118,883	118,883
Construction	1,510,000	812,000	450,000	781,636	3,553,636
Contingency				178,423	178,423
Other				40,000	40,000
Total	1,510,000	847,000	450,000	1,399,815	4,206,815

III. PROJECT FUNDING

A. Funding Sources

Fund F Loan	1,510,000	36%
EDA Grant	847,000	20%
LGEDA Grant	450,000	11%
BOP Grant	1,399,815	33%
Total	4,206,815	100%

B. KIA Debt Service

Construction Loan	\$1,510,000
Interest Rate	1.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 83,489
Administrative Fee (0.25%)	3,775
Total Estimated Annual Debt Service	\$ 87,264

Note: McCreary County's median household income of \$19,348 is below the state average of \$33,672. The average water rate for 4,000 gallons (\$24.85) exceeds 1.25% of the median household income (1.25% X \$19,348 divided by 12 months = \$20.15). Therefore, the hardship interest rate applies.

IV. PROJECT SCHEDULE

	<u>Contract 25</u>	<u>Contract 26</u>
Bid Opening date	November 26, 2002	November 26, 2002
Contract award date	January 9, 2003	February 28, 2003
Construction start date	March 21, 2003	March 21, 2003
Construction stop date	Fall 2004	Fall 2004

V. CONTACTS

Mr. Raymond Taylor
Chairman
McCreary County Water District
P.O. Box 488
Whitley City, Kentucky 42653
606-376-2540 (phone)
606-376-5507 (fax)

Mr. Waylon Wright
Community Development Specialist
Lake Cumberland Area Development District
P.O. Box 1570
Russell Springs, Kentucky 42642
270-866-4200 (phone)
270-866-2044 (fax)

Mr. Dave Bowles
Professional Engineer
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, Kentucky 40342
502-839-1310 (phone)
502-839-1373 (fax)

VI. DEBT OBLIGATIONS

Issue - Water	Date of Issue	Original Amount	Amount Outstanding
Ky Rural Water	2004	2,200,000	\$2,200,000
USDA-RD	1993	794,000	713,000
USDA-RD	1997	390,000	362,500
USDA-RD	2001	2,500,000	2,447,000

Issue - Wastewater	Date of Issue	Original Amount	Amount Outstanding
USDA-RD	1997	1,000,000	928,000
USDA-RD	2002	850,000	850,000
USDA-RD	1997	972,000	916,000

VII. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

Project	Date Awarded	Funding Source	Amount
Sewer Project	December 2000	CDBG Grant	\$2,000,000
	February 2000	ARC Grant	400,000
	July 2000	USDA-RD Grant	2,000,000
Water Plant	August 2000	Bureau of Prisons	2,925,000
Water Extensions	April 2003	Coal Severance Grant	920,000
	April 2003	USDA-RD Grant/Loan	1,700,000
	March 2004	ARC Grant	400,000

VIII. DEMOGRAPHICS/CUSTOMER MIX/RATE STRUCTURE**A. DEMOGRAPHICS**

McCreary County is located in the south central part of the state. The county is unique in that there are no incorporated cities within the county. Also much of the county is owned by the federal government, which limits growth possibilities in the county. McCreary County Water District is the service provider for both water and sewer service to the entire county. The population of the county, according to the 2000 Census data, is 17,080 and the median household income is \$19,348.

B. CUSTOMER MIX

	Current	Additional Proposed
Residential	5,549	0
Commercial	273	0
Industrial	8	0
Total	5,830	0

RATE STRUCTURE

Water Rates:

	<u>Previous</u>	<u>Current</u>
First 2,000 gallons (min. bill)	\$10.95	\$14.95
All over 2,000 gallons (per 1,000 gallons)	3.25	4.95
Effective Date	2/19/2001	6/29/2004
Residential Bill for 4,000 gallons	\$17.45	\$24.85

IX. FINANCIAL ANALYSIS (SEE EXHIBIT 1)

A. HISTORICAL

From 1997 to present the District's Balance Sheet has weakened as a result of the equity drain from inadequate rates. However they have been able to maintain strong current ratios and decrease debt to equity until 2001. The USDA-RD requires that reserves be put into place for retirement of debt. This is shown as restricted assets, which are sufficient to retire the associated debt. The increase in debt to equity in 2001 is the result of a major construction project, of which this loan is a part. When completed this \$4,206,815 project will be funded by slightly over 64% grant funds.

The District began to address the problem of inadequate rates by imposing a rate increase in 2001. The impact of the increase can be seen in the improved cashflow for those 2001 and 2002. An additional rate increase was implemented in June 2004. Without these rate increases, negative cashflows would have resulted because expenses were growing at a faster rate than revenues. This is the result of several factors including increasing labor cost, insurance and contractual services.

B. PROFORMA

The proforma is based on the following assumptions:

- Revenues for 2005 are based on 90% of projected rate income from the prison.
- O & M expense is based on projections of increased chemical and power costs as well as historical averages.
- \$4,740 per year to be placed in a replacement reserve as a condition of the Fund F loan.
- KIA Fund F principal, interest and administrative fees totaling \$87,264 annually beginning in FY 2005.

Based on the aforementioned assumptions, the utility fund shows adequate cashflow to repay the KIA Fund F loan. In projecting 2005 revenues and expenses were increased to reflect the impact of the new prison. Revenues were held flat except for the expected revenues from the prison. Ninety percent of the prison revenues were used in the projection. Expenses were increased by the average percentage that expenses have increased over the last 5 years which includes the 2002 budgeted expenses. The additional cost of O&M from this project was reduced by 25% in 2005 because significant portions of the expenses were incurred in previous years.

Based on these assumptions the District is projected to have a 1.10 coverage ratio in 2005.

Projected debt service for the Authority loan is based on a 1.0% interest rate amortized over 20 years.

B. REPLACEMENT RESERVE

The city will be required to make annual deposits of \$4,740 into a borrower held account until the balance reaches \$47,400 and maintained for the life of the loan (amount subject to DOW approval).

X. REGIONAL COORDINATION

This project is consistent with regional planning recommendations

XI. RECOMMENDATIONS

KIA staff recommends approval of the loan with the following condition:

1. The District will provide certification from its auditors that it is in compliance with all outstanding bond covenants including debt coverage ratios and will be in compliance with this new debt.

**McCREARY COUNTY WATER DISTRICT
CASHFLOW ANALYSIS**

	Audited 1997	Audited 1998	Audited 1999	Audited 2000	Audited 2001	Budget 2002	Projected 2005
<i>Operations</i>							
Operating Revenues	1,163,748	1,209,209	1,256,575	1,244,677	1,410,800	1,653,000	2,046,713
Operating Expenses	872,725	899,600	987,074	1,144,471	1,191,854	1,305,000	1,550,510
<i>Net Operating Income</i>	291,023	309,609	269,501	100,206	218,946	348,000	496,203
<i>Other Revenues</i>							
Interest Income	32,911	45,420	29,667	29,509	27,334	25,000	25,000
<i>Total Other Revenues</i>	32,911	45,420	29,667	29,509	27,334	25,000	25,000
<i>Net Income Cash</i>	323,934	355,029	299,168	129,715	246,280	373,000	521,203
<i>Debt Service</i>							
Existing Debt	223,853	243,720	250,525	249,453	249,629	248,850	387,686
KIA Fund F Loan	0						87,264
<i>Total Debt Service</i>	223,853	243,720	250,525	249,453	249,629	248,850	474,950
<i>Income After Debt Service</i>	100,081	111,309	48,643	-119,738	-3,349	124,150	46,253
<i>Debt Coverage Ratio</i>	1.45	1.46	1.19	0.52	0.99	1.50	1.10

**McCREARY COUNTY WATER DISTRICT
BALANCE SHEETS**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Upon Project Completion</u>
ASSETS					
Current Assets					
Cash	56,970	9,992	14,106	(6,780)	10,000
Receivables net of Allowance					
Trade Accounts	106,672	110,502	114,395	136,326	136,326
Due from Associated Companies	6,874	7,012	8,702	31,170	31,170
Accrued Interest	14,141	9,783	8,970	8,115	8,115
Notes	30,345	14,332	7,447	8,095	8,095
Inventory	58,618	58,223	65,948	62,963	62,963
Investments	136,915	128,918	195,000	100,000	100,000
Prepaid Expenses	0	0	16,292	10,578	10,578
Total Current Assets	410,535	338,762	430,860	350,467	367,247
Restricted Assets					
Cash & Cash Equivalents	34,574	16,106	5,519	2	4,740
Investments	477,085	495,505	1,110,159	490,215	494,955
Total Restricted Assets	511,659	511,611	1,115,678	490,217	499,695
Operating Fixed Assets					
Utility Plant	10,476,543	11,607,731	11,760,883	11,882,726	17,296,863
Less Accumulated Depreciation	(3,487,008)	(3,792,453)	(4,081,068)	(4,377,390)	(4,482,560)
Net Operating Fixed Assets	6,989,535	7,815,278	7,679,815	7,505,336	12,814,303
Construction in Process	810,238	0	218,317	4,856,128	0
Net Fixed Assets	7,799,773	7,815,278	7,898,132	12,361,464	12,814,303
Total Assets	8,721,967	8,665,651	9,444,670	13,202,148	13,681,245
LIABILITIES					
Current Liabilities					
Accounts Payable	36,800	33,615	52,711	33,432	39,919
Current Liabilities	36,800	33,615	52,711	33,432	39,919
Current Liabilities from Restricted Assets					
Customer Deposits	10,410	11,280	12,270	13,140	13,797
Accrued Interest	44,041	42,296	41,384	83,635	41,384
Current Portion of Revenue Bonds	81,800	84,400	88,400	91,600	97,000
Current Liabilities from Restricted Assets	136,251	137,976	142,054	188,375	152,181
Total Current Liabilities	173,051	171,591	194,765	221,807	192,100
Long-Term Debt					
Construction Financing	0	0	0	2,114,000	1,510,000
Revenue Bonds (Net of Current Portion)	3,534,500	3,450,100	3,361,700	3,270,100	4,212,500
Total Long-Term Debt	3,534,500	3,450,100	3,361,700	5,384,100	5,722,500
Total Liabilities	3,707,551	3,621,691	3,556,465	5,605,907	5,914,600
Fund Equity					
Customer Contributions	1,387,367	1,467,258	1,587,906	3,881,215	3,881,215
Federal Capital Grants	4,556,355	4,680,612	5,680,612	5,358,711	5,358,711
Retained Earnings	(929,306)	(1,103,910)	(1,380,314)	(1,643,685)	(1,473,282)
Total Equity	5,014,416	5,043,960	5,888,204	7,596,241	7,766,644
Total Liabilities and Equities	8,721,967	8,665,651	9,444,669	13,202,148	13,681,245
Balance Sheet Analysis					
Current Ratio	11.16	10.08	8.17	10.48	9.20
Debt to Equity	0.74	0.72	0.60	0.74	0.76
Working Capital	\$ 373,735	\$ 305,147	\$ 378,149	\$ 317,035	\$ 327,328

EXHIBIT G-2

**KENTUCKY INFRASTRUCTURE AUTHORITY
ASSISTANCE AGREEMENT**

FUND F

PROJECT NUMBER:	F21-025
GOVERNMENTAL AGENCY (Borrower):	McCreary County Water District
GOVERNMENTAL AGENCY'S ADDRESS:	456 N HWY 27 Whitley City, Kentucky 42653
DATE OF ASSISTANCE AGREEMENT:	February 22, 2022
CFDA NO:	66.468

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky (the "Authority") and the MCCREARY COUNTY WATER DISTRICT, 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 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 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 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 levy, collect, and 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 said 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 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 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" 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"* 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.

“Default Rate” means the rate of interest identified in the Loan Term Schedule to accrue on the amount of the Loan that is in default under this Assistance Agreement.

“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.

“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 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.

“Federal Agreement” shall mean 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.

“Governmental Agency” shall mean 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, 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 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 on the front cover of this Assistance Agreement and in the Project Specifics.

“Indenture” shall mean the General Trust Indenture dated as of February 1, 2000 between the Authority and the Trustee, as amended and supplemented from time to time.

“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 Loan Term Schedule, for the purpose of defraying the costs incidental to the Construction of the Project.

“Loan Payment Date” shall mean the dates principal of and/or interest on 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.

“Loan Term Schedule” shall mean 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” shall mean any individual, firm, partnership, association, limited liability company, 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 construction of the Project progresses.

“Resolution” means the resolution or ordinance of the Governmental Agency in the form of the resolution attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

“*Schedule of Payments*” means the debt service schedule of the Loan as set forth in the Loan Term Schedule.

“*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, 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 Charge 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.

“*Trustee*” shall mean U.S. Bank National Association, 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 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 acquire and 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) Pursuant to the Resolution of the governing body, the Governmental Agency has approved and authorized the execution and delivery of this Assistance Agreement. Such Resolution was duly enacted or adopted at a duly called meeting, 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, KRS Sections 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 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 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 Loan Term Schedule, subject to such adjustments as may be set forth in any amendment or supplement to said 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 identified 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; provided that, should an Event of Default occur, such Loan payments, in such amounts as determined in the sole

discretion of the Authority, 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. The Governmental Agency shall pay interest on the unpaid balance of disbursements at the Loan Rate payable on each Loan Payment Date prior to the Amortization Commencement Date.

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 pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") 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 prior to the Governmental Agency receiving any disbursement of the proceeds of the Loan.

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 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, 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 revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics and all such Debt Obligations that may hereafter be issued on a parity with the Debt Obligations identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.6(C) 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 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 the contractor or contractors will provide facilities for such access and inspection.

(B) All real estate and interest 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) 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 Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

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

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

(F) Unless construction of the Project has already been initiated as of the Effective Date, pursuant to 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 Cabinet.

(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 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.

(I) 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 shall 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 party 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.

(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) Any change or changes in a construction contract will be promptly submitted to the Authority, the Cabinet 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 and the United States Environmental Protection Agency noting the participation of the Authority and the U.S. Government 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, the Cabinet 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 and the Cabinet 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 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.

(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 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.

(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. Such resident engineer shall certify to the Authority, 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.

(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 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 as of the submission of the initial Requisition for Funds.

(U) 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.

(V) 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 Governmental Agency in writing that the American Iron and Steel Requirement is not applicable to the Project.

(W) 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 and/or other remedial actions.

Notwithstanding anything in this Assistance Agreement to the contrary, if the Governmental Agency fails to comply, at any time, with the provisions of Section 4.1(V) or Section 4.1(W) hereof, the Authority may, at its sole discretion, withhold the disbursements of any proceeds of the Loan to the Governmental Agency or its designee.

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) That the Project shall be completed no later than the Amortization Commencement Date.

(B) 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.

(C) 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.

(D) That all real property or property rights 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 CFR 24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(E) 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(B) hereof.

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

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

(H) That final disbursement will not be remitted before the Cabinet has approved a final operations and maintenance manual.

(I) 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).

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

(K) That within 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.

(L) 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.

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

(N) 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.

(O) That all measures required to minimize water pollution to affected waters shall be employed in the construction of 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 Funds; 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 (5th) 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 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 not included in any previous accounting for which it 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 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 due thereunder, 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. If directed by the Authority, the Governmental Agency shall establish, with the Trustee, an electric fund transfer system, 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 eMars system of the Commonwealth of Kentucky.

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, 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 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 the Loan to the Authority, the amount of such default shall bear interest at the per annum rate of interest equal to the Default Rate set forth in the Loan Term Schedule, 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 (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 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 provide revenues equal to the sum of (i) 110% of the debt service coming due during each fiscal year on this Loan and all other obligations secured and payable from the revenues of the System, in each case computed as of the beginning of such fiscal year (except to the extent the Governmental Agency has by binding ordinance or resolution committed reserves to the payment of such debt service), (ii) the amounts required to provide for the operation of the System during each fiscal year as required under this Assistance Agreement, and (iii) the amounts to be deposited hereunder to the Maintenance and Replacement Reserve in each fiscal year.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System, both existing and new users, and accordingly the Project. 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 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. Funds in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the System or for the unbudgeted costs of replacing worn or obsolete portions of the System, subject to approval of the Authority.

Section 5.6. Reports; Inspection.

The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) 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.

(B) That it 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 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.

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, and (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to its 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 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. Audit Requirements.

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, 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. All recipients and subrecipients expending \$750,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with 2 CFR Part 200.

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, the Federal 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. 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 it under the Federal Agreement.

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

(C) All residents in the service area of the System must be offered the same opportunity to become users of the System regardless of race, religion, color, national origin, sex, disability 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.

(I) 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 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 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.

Section 6.13. 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** hereto.

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. Compliance with State and Federal Standards.

The Governmental Agency agrees that it will at all times provide operation and maintenance of the System 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 System during the entire term of this Assistance Agreement.

Section 7.4. 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 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 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 7.7. 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, 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 7.10. 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 7.10, 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 7.11. 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 (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 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 (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 6.12 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 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.

(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 6.12 hereof shall be those remedies specifically set forth in Section 6.12 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 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 (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 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.

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.

[Signature Page Follows]

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:

Margaret F. Link
By: Margaret F. Link (Mar 17, 2022 10:43 EDT)
Secretary of Kentucky Infrastructure Authority

GOVERNMENTAL AGENCY:
MCCREARY COUNTY WATER
DISTRICT

By: 
Chairman

ATTEST:

By: 
Secretary of Governmental Agency

APPROVED:

Holly Johnson
By: Holly Johnson (Mar 18, 2022 15:09 EDT)
Secretary/Finance and Administration
Cabinet of the Commonwealth of Kentucky

EXAMINED:

By: 
Legal Counsel to the by CMT
Kentucky Infrastructure Authority

APPROVED AS TO FORM AND
LEGALITY:

Patrick McGee
By: Patrick McGee (Mar 17, 2022 11:16 EDT)
Approved, Finance and
Administration Cabinet

EXHIBIT A
MCCREARY COUNTY WATER DISTRICT
PROJECT SPECIFICS
F21-025

GOVERNMENTAL AGENCY:

Name: McCreary County Water District
PO Box 488
Whitley City, KY 42653

Contact Person: Randy Kidd
Chairman

SYSTEM: Water

PROJECT:

This project will install 6,550 linear feet of 3-inch water line that will provide a source of potable water to nine unserved customers. If available, the remaining funds will extend approximately 2,500 linear feet of 3-inch waterline along KY 896 (Noah Dock Road) to serve additional customers.

PROJECT BUDGET:

	<u>Total</u>
Administrative Expenses	\$ 10,000
Engineering Fees - Design	17,000
Engineering Fees - Construction	8,000
Engineering Fees - Inspection	21,000
Construction	210,000
Contingency	4,000
Total	\$ 270,000

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 270,000	100%
Total	\$ 270,000	100%

KIA DEBT SERVICE:

Construction Loan	\$ 270,000
Less: Principal Forgiveness	135,000
Amortized Loan Amount	\$ 135,000
Interest Rate	0.25%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 4,674
Administrative Fee (0.25%)	338
Total Estimated Annual Debt Service	\$ 5,011

AMORTIZATION SCHEDULE OF PAYMENTS: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 06/01/22).

Full principal and interest payments will commence within one year of initiation of operation (estimated 06/01/23). All interest and principal repayments shall be made by Automated Clearing House "ACH" transfers.

Principal forgiveness of 50% of the assistance amount, not to exceed \$135,000 will be credited to the loan balance upon release of liens on all contracts and disbursement of the final draw request by KIA to the borrower.

REPLACEMENT AND MAINTENANCE RESERVE ACCOUNT:	\$ 700	ANNUAL AMOUNT
	\$ 14,000	TOTAL AMOUNT

The annual maintenance replacement cost is 5% (\$14,000) of the final amount borrowed prior to principal forgiveness to be funded annually (\$700) each December 1 over 20 years 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>
United Cumberland Loan	\$ 495,000	2020
BB&T Loan	728,000	2028
RD Series 2013D	860,000	2052
RD Series 2013A	578,500	2030
RD Series 2005A	617,000	2045
RD Series 2008A	280,500	2048
RD Series 2008A	129,500	2048
RD Series 2012D	2,600,000	2040
RD Series 2012D1	1,190,000	2052
RD Series 2015	1,125,500	2055
KIA Loan F04-03	505,200	2026
RD Series 2005A - Sewer	238,000	2045
RD Series 2012D - Sewer	1,300,000	2040
RD Series 2019 i.a.o. \$1,324,000 - Stearns to Smithtown WL	517,918	2060
RD Loan - Marsh Creek Project i.a.o. \$722,710		TBD
RD Loan - Parkers Lake Project i.a.o. \$819,750		TBD
RD Loan - A20-047 i.a.o. \$400,000		TBD
A20-047 i.a.o. \$3,244,500		TBD
Total	\$ 11,165,118	

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)
Death or Personal Injury (per occurrence)
Property Damage on System

See Certificate
attached hereto

CERTIFICATE OF INSURANCE

DATE
12/15/2021**PRODUCER**KENTUCKY LEAGUE OF CITIES INSURANCE SERVICES
100 E. VINE STREET, SUITE 800
LEXINGTON, KY 40507-3700

PHONE: (859)-977-3700

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONVEYS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND, OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE**INSURED**McCreary County Water District
PO Box 488
Whitley City, KY 42653COMPANY KENTUCKY LEAGUE OF CITIES INSURANCE
A SERVICESCOMPANY
B

ATTN: Kathy Troxell

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED NOTWITHSTANDING ANY REQUIREMENT, TERM, OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS, AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE	POLICY EXPIRATION DATE	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY CLAIMS MADE <input checked="" type="checkbox"/> OCCUR OWNER'S & CONTRACTOR'S PROT <input type="checkbox"/> PUBLIC OFFICIALS <input type="checkbox"/> LAW ENFORCEMENT	L5762-2021-21330	10/1/2021	10/1/2022	GENERAL AGGREGATE	NONE
					PRODUCTS-COMP/OP AGG	NONE
					PERSONAL & ADV INJURY	INCLUDED
					EACH OCCURRENCE	\$ 2,000,000
					FIRE DAMAGE (Any one fire)	\$ 100,000
					MED EXP (Any one person)	\$ 5,000
					COMBINED SINGLE LIMIT	\$ 2,000,000
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS	L5762-2021-21330	10/1/2021	10/1/2022	BODILY INJURY (Per person)	
					BODILY INJURY (Per accidnt)	
					PROPERTY DAMAGE	
	CRIME LIABILITY <input type="checkbox"/> FORGERY OR ALTERATION <input type="checkbox"/> THEFT, DISAPPEARANCE AND DESTRUCTION				LIMIT DEDUCTIBLE	
					LIMIT INSIDE PREMISES DEDUCTIBLE	
					LIMIT OUTSIDE PREMISES DEDUCTIBLE	
					LIMIT DEDUCTIBLE	
	<input type="checkbox"/> PUBLIC EMPLOYEE DISHONESTY <input type="checkbox"/> MONEY ORDERS & COUNTERFEIT PAPER CURRENCY COVERAGE				LIMIT DEDUCTIBLE	
					LIMIT DEDUCTIBLE	
					LIMIT DEDUCTIBLE	
					LIMIT DEDUCTIBLE	
	WORKERS' COMPENSATION AND EMPLOYERS' LIABILITY THE PROPRIETOR/ PARTNERS/EXECUTIVE OFFICERS ARE: <input type="checkbox"/> Included <input type="checkbox"/> Excluded				STATUTORY LIMITS	
					EACH ACCIDENT	
					DISEASE/POLICY LIMIT	
					DISEASE-EACH EMPLOYEE	
A	PHYSICAL DAMAGE	L5762-2021-21330	10/1/2021	10/1/2022		
A	PUBLIC OFFICIALS	L5762-2021-21330	10/1/2021	10/1/2022	LIMIT	2,000,000

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

Evidence of liability coverage is given.

CERTIFICATE HOLDERMcCreary County Water District
P O Box 488
Whitley City, KY 42653**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS, OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Suzanne Reed

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				
	TOTAL				

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

TOTAL

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)

Line Item	Draw #	Vender	Amount
------------------	---------------	---------------	---------------

**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)

AREA McCreary County, Kentucky

PSC KY NO. 1

10th Revised 1 SHEET NO. 1

McCreary County Water District

CANCELLING PSC KY NO. 1

9th Revised 1 SHEET NO. 1

RATES AND CHARGES

Monthly Water Rates

Residential & Non-Residential Meter

First 2,000 gallons	\$22.50 Minimum Bill	(I)
Over 2,000 gallons	\$0.00925 per gallon	(I)

Federal Correctional Facility

First 1,950,000 gallons	\$14,215.50 Minimum Bill	
Over 1,950,000 gallons	\$0.00729 per gallon	(T)
		(D)
		(D)
		(D)

Monthly rates for special service through a multi-unit master meter agreement:

The monthly charge for customers who have requested service through a master meter for multi-unit service shall be the greater of (a) the number of housing units multiplied by the minimum water charge per unit (based on the district's standard service meter minimum charge), or (b) the amount billed for average unit use (determined by dividing the total usage by the number of housing units) multiplied by the total number of housing units in the multi-unit facility.

DATE OF ISSUE	<u>February 24, 2021</u>
	MONTH / DATE / YEAR
DATE EFFECTIVE	<u>February 22, 2021</u>
	MONTH / DATE / YEAR
ISSUED BY	<u>/s/Randy Kidd</u>
	SIGNATURE OF OFFICER
TITLE	<u>Chairman</u>

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00021 DATED February 22, 2021

**KENTUCKY
PUBLIC SERVICE COMMISSION**

Linda C. Bridwell
Executive Director



EFFECTIVE
2/22/2021
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

AREA McCreary County, Kentucky

PSC KY NO. 1

10th Revised SHEET NO. 1A

McCreary County Water District

CANCELLING PSC KY NO. 1

9th Revised SHEET NO. 1A

RATES AND CHARGES

(D)

Cumberland Falls State Park

First 600,000 gallons

\$4,374.00 Minimum Bill

(I)

All Over 600,000 gallons

\$0.00729 per gallon

(I)

Whitley County Water District

\$0.00729 per gallon

(I)

Oneida, Tennessee

\$0.00729 per gallon

(I)

Fibrotex USA

\$0.00729 per gallon

(N)

Pine Knot Job Center

\$0.00729 per gallon

(N)

McCreary County Housing Authority

\$0.00729 per gallon

(N)

DATE OF ISSUE February 24, 2021
MONTH / DATE / YEAR

DATE EFFECTIVE February 22, 2021
MONTH / DATE / YEAR

ISSUED BY /s/Randy Kidd
SIGNATURE OF OFFICER

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00021 DATED February 22, 2021

**KENTUCKY
PUBLIC SERVICE COMMISSION**

Linda C. Bridwell
Executive Director



EFFECTIVE
2/22/2021
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

AREA McCreary County, Kentucky

PSC KY NO. 1

Original SHEET NO. 1B

McCreary County Water District

CANCELLING PSC KY NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

Water Connection Fee

5/8-inch x 3/4-inch Meter

\$800.00

(T)

All Larger Size Meters

Actual Cost

(T)

DATE OF ISSUE February 24, 2021
MONTH / DATE / YEAR

DATE EFFECTIVE February 22, 2021
MONTH / DATE / YEAR

ISSUED BY /s/Randy Kidd
SIGNATURE OF OFFICER

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 2021-00021 DATED February 22, 2021

**KENTUCKY
PUBLIC SERVICE COMMISSION**

Linda C. Bridwell
Executive Director



EFFECTIVE

2/22/2021

PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

EXHIBIT D

RESOLUTION

A RESOLUTION APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE MCCREARY COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY TO PROVIDE UP TO \$270,000 OF LOAN FUNDS FOR PROJECT NUMBER F21-025.

WHEREAS, the Board of Commissioners (“Governing Authority”) of the McCreary County Water District (“Governmental Agency”) has previously determined that it is in the public interest to acquire and construct certain facilities and improvements (the “Project”) to the Governmental Agency’s water system (the “System”);

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the “Authority”) for the purpose of providing monies to for the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an Assistance Agreement (the “Assistance Agreement”) with the Authority.

NOW, THEREFORE, IT IS RESOLVED by the Board of Commissioners of the McCreary 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 regarding Project Number F21-025 substantially in the form on file with the Governmental Agency to provide the necessary financing to the Governmental Agency for 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 February 22, 2022.

GOVERNMENTAL AGENCY:
MCCREARY COUNTY WATER
DISTRICT

By: _____
Chairman

ATTEST:

By: _____

Secretary of Governmental Agency

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of the McCreary County Water District at a meeting duly held on February 22, 2022; 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 February 22, 2022.

Secretary of Governmental Agency

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

February 22, 2022

Kentucky Infrastructure Authority
100 Airport Road, Third Floor
Frankfort, Kentucky 40601

Re: Assistance Agreement by and between Kentucky Infrastructure Authority and the McCreary County Water District, regarding Project Number: F21-025.

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 McCreary 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 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 legislation of the governing authority authorizing the execution and delivery of said 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 taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement 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 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

LOAN TERM SCHEDULE

Principal Amount of Loan:	\$270,000
Loan Interest Rate:	0.25%
Default Interest Rate:	8.00%
Authority's Administrative Fee:	0.25%
Loan Payment Dates:	Each June 1 and December 1
Amortization Commencement Date:	June 1, 2023
Schedule of Payments:	see attached

The Loan has been awarded principal forgiveness in the amount of 50% of the Principal Amount of the Loan, not to exceed \$135,000, which will be credited to the Loan balance upon release of liens on all contracts and disbursement of the final draw request by the Authority to the Governmental Agency.

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 #F21-025
 MCCREARY COUNTY WATER DISTRICT

Original Loan Amount \$ 270,000.00
 Principal Forgiveness \$ (135,000.00)
 Repayment Amount \$ 135,000.00

0.25% Interest
 \$2,336.83 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
								\$135,000.00		
06/01/23	\$2,168.08	\$168.75	0.25%	\$2,336.83	\$168.75	\$0.00	\$2,505.58	\$132,831.92	\$0.00	\$0.00
12/01/23	\$2,170.79	\$166.04	0.25%	\$2,336.83	\$166.04	\$0.00	\$2,502.87	\$130,661.13	\$700.00	\$700.00
06/01/24	\$2,173.50	\$163.33	0.25%	\$2,336.83	\$163.33	\$0.00	\$2,500.16	\$128,487.63	\$0.00	\$700.00
12/01/24	\$2,176.22	\$160.61	0.25%	\$2,336.83	\$160.61	\$0.00	\$2,497.44	\$126,311.41	\$700.00	\$1,400.00
06/01/25	\$2,178.94	\$157.89	0.25%	\$2,336.83	\$157.89	\$0.00	\$2,494.72	\$124,132.47	\$0.00	\$1,400.00
12/01/25	\$2,181.66	\$155.17	0.25%	\$2,336.83	\$155.17	\$0.00	\$2,492.00	\$121,950.81	\$700.00	\$2,100.00
06/01/26	\$2,184.39	\$152.44	0.25%	\$2,336.83	\$152.44	\$0.00	\$2,489.27	\$119,766.42	\$0.00	\$2,100.00
12/01/26	\$2,187.12	\$149.71	0.25%	\$2,336.83	\$149.71	\$0.00	\$2,486.54	\$117,579.30	\$700.00	\$2,800.00
06/01/27	\$2,189.86	\$146.97	0.25%	\$2,336.83	\$146.97	\$0.00	\$2,483.80	\$115,389.44	\$0.00	\$2,800.00
12/01/27	\$2,192.59	\$144.24	0.25%	\$2,336.83	\$144.24	\$0.00	\$2,481.07	\$113,196.85	\$700.00	\$3,500.00
06/01/28	\$2,195.33	\$141.50	0.25%	\$2,336.83	\$141.50	\$0.00	\$2,478.33	\$111,001.52	\$0.00	\$3,500.00
12/01/28	\$2,198.08	\$138.75	0.25%	\$2,336.83	\$138.75	\$0.00	\$2,475.58	\$108,803.44	\$700.00	\$4,200.00
06/01/29	\$2,200.83	\$136.00	0.25%	\$2,336.83	\$136.00	\$0.00	\$2,472.83	\$106,602.61	\$0.00	\$4,200.00
12/01/29	\$2,203.58	\$133.25	0.25%	\$2,336.83	\$133.25	\$0.00	\$2,470.08	\$104,399.03	\$700.00	\$4,900.00
06/01/30	\$2,206.33	\$130.50	0.25%	\$2,336.83	\$130.50	\$0.00	\$2,467.33	\$102,192.70	\$0.00	\$4,900.00
12/01/30	\$2,209.09	\$127.74	0.25%	\$2,336.83	\$127.74	\$0.00	\$2,464.57	\$99,983.61	\$700.00	\$5,600.00
06/01/31	\$2,211.85	\$124.98	0.25%	\$2,336.83	\$124.98	\$0.00	\$2,461.81	\$97,771.76	\$0.00	\$5,600.00
12/01/31	\$2,214.62	\$122.21	0.25%	\$2,336.83	\$122.21	\$0.00	\$2,459.04	\$95,557.14	\$700.00	\$6,300.00
06/01/32	\$2,217.38	\$119.45	0.25%	\$2,336.83	\$119.45	\$0.00	\$2,456.28	\$93,339.76	\$0.00	\$6,300.00
12/01/32	\$2,220.16	\$116.67	0.25%	\$2,336.83	\$116.67	\$0.00	\$2,453.50	\$91,119.60	\$700.00	\$7,000.00
06/01/33	\$2,222.93	\$113.90	0.25%	\$2,336.83	\$113.90	\$0.00	\$2,450.73	\$88,896.67	\$0.00	\$7,000.00
12/01/33	\$2,225.71	\$111.12	0.25%	\$2,336.83	\$111.12	\$0.00	\$2,447.95	\$86,670.96	\$700.00	\$7,700.00
06/01/34	\$2,228.49	\$108.34	0.25%	\$2,336.83	\$108.34	\$0.00	\$2,445.17	\$84,442.47	\$0.00	\$7,700.00
12/01/34	\$2,231.28	\$105.55	0.25%	\$2,336.83	\$105.55	\$0.00	\$2,442.38	\$82,211.19	\$700.00	\$8,400.00
06/01/35	\$2,234.07	\$102.76	0.25%	\$2,336.83	\$102.76	\$0.00	\$2,439.59	\$79,977.12	\$0.00	\$8,400.00
12/01/35	\$2,236.86	\$99.97	0.25%	\$2,336.83	\$99.97	\$0.00	\$2,436.80	\$77,740.26	\$700.00	\$9,100.00
06/01/36	\$2,239.65	\$97.18	0.25%	\$2,336.83	\$97.18	\$0.00	\$2,434.01	\$75,500.61	\$0.00	\$9,100.00
12/01/36	\$2,242.45	\$94.38	0.25%	\$2,336.83	\$94.38	\$0.00	\$2,431.21	\$73,258.16	\$700.00	\$9,800.00
06/01/37	\$2,245.26	\$91.57	0.25%	\$2,336.83	\$91.57	\$0.00	\$2,428.40	\$71,012.90	\$0.00	\$9,800.00
12/01/37	\$2,248.06	\$88.77	0.25%	\$2,336.83	\$88.77	\$0.00	\$2,425.60	\$68,764.84	\$700.00	\$10,500.00
06/01/38	\$2,250.87	\$85.96	0.25%	\$2,336.83	\$85.96	\$0.00	\$2,422.79	\$66,513.97	\$0.00	\$10,500.00
12/01/38	\$2,253.69	\$83.14	0.25%	\$2,336.83	\$83.14	\$0.00	\$2,419.97	\$64,260.28	\$700.00	\$11,200.00
06/01/39	\$2,256.50	\$80.33	0.25%	\$2,336.83	\$80.33	\$0.00	\$2,417.16	\$62,003.78	\$0.00	\$11,200.00
12/01/39	\$2,259.33	\$77.50	0.25%	\$2,336.83	\$77.50	\$0.00	\$2,414.33	\$59,744.45	\$700.00	\$11,900.00
06/01/40	\$2,262.15	\$74.68	0.25%	\$2,336.83	\$74.68	\$0.00	\$2,411.51	\$57,482.30	\$0.00	\$11,900.00
12/01/40	\$2,264.98	\$71.85	0.25%	\$2,336.83	\$71.85	\$0.00	\$2,408.68	\$55,217.32	\$700.00	\$12,600.00
06/01/41	\$2,267.81	\$69.02	0.25%	\$2,336.83	\$69.02	\$0.00	\$2,405.85	\$52,949.51	\$0.00	\$12,600.00
12/01/41	\$2,270.64	\$66.19	0.25%	\$2,336.83	\$66.19	\$0.00	\$2,403.02	\$50,678.87	\$700.00	\$13,300.00
06/01/42	\$2,273.48	\$63.35	0.25%	\$2,336.83	\$63.35	\$0.00	\$2,400.18	\$48,405.39	\$0.00	\$13,300.00
12/01/42	\$2,276.32	\$60.51	0.25%	\$2,336.83	\$60.51	\$0.00	\$2,397.34	\$46,129.07	\$700.00	\$14,000.00
06/01/43	\$2,279.17	\$57.66	0.25%	\$2,336.83	\$57.66	\$0.00	\$2,394.49	\$43,849.90	\$0.00	\$14,000.00
12/01/43	\$2,282.02	\$54.81	0.25%	\$2,336.83	\$54.81	\$0.00	\$2,391.64	\$41,567.88	\$0.00	\$14,000.00
06/01/44	\$2,284.87	\$51.96	0.25%	\$2,336.83	\$51.96	\$0.00	\$2,388.79	\$39,283.01	\$0.00	\$14,000.00

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
12/01/44	\$2,287.73	\$49.10	0.25%	\$2,336.83	\$49.10	\$0.00	\$2,385.93	\$36,995.28	\$0.00	\$14,000.00
06/01/45	\$2,290.59	\$46.24	0.25%	\$2,336.83	\$46.24	\$0.00	\$2,383.07	\$34,704.69	\$0.00	\$14,000.00
12/01/45	\$2,293.45	\$43.38	0.25%	\$2,336.83	\$43.38	\$0.00	\$2,380.21	\$32,411.24	\$0.00	\$14,000.00
06/01/46	\$2,296.32	\$40.51	0.25%	\$2,336.83	\$40.51	\$0.00	\$2,377.34	\$30,114.92	\$0.00	\$14,000.00
12/01/46	\$2,299.19	\$37.64	0.25%	\$2,336.83	\$37.64	\$0.00	\$2,374.47	\$27,815.73	\$0.00	\$14,000.00
06/01/47	\$2,302.06	\$34.77	0.25%	\$2,336.83	\$34.77	\$0.00	\$2,371.60	\$25,513.67	\$0.00	\$14,000.00
12/01/47	\$2,304.94	\$31.89	0.25%	\$2,336.83	\$31.89	\$0.00	\$2,368.72	\$23,208.73	\$0.00	\$14,000.00
06/01/48	\$2,307.82	\$29.01	0.25%	\$2,336.83	\$29.01	\$0.00	\$2,365.84	\$20,900.91	\$0.00	\$14,000.00
12/01/48	\$2,310.70	\$26.13	0.25%	\$2,336.83	\$26.13	\$0.00	\$2,362.96	\$18,590.21	\$0.00	\$14,000.00
06/01/49	\$2,313.59	\$23.24	0.25%	\$2,336.83	\$23.24	\$0.00	\$2,360.07	\$16,276.62	\$0.00	\$14,000.00
12/01/49	\$2,316.48	\$20.35	0.25%	\$2,336.83	\$20.35	\$0.00	\$2,357.18	\$13,960.14	\$0.00	\$14,000.00
06/01/50	\$2,319.38	\$17.45	0.25%	\$2,336.83	\$17.45	\$0.00	\$2,354.28	\$11,640.76	\$0.00	\$14,000.00
12/01/50	\$2,322.28	\$14.55	0.25%	\$2,336.83	\$14.55	\$0.00	\$2,351.38	\$9,318.48	\$0.00	\$14,000.00
06/01/51	\$2,325.18	\$11.65	0.25%	\$2,336.83	\$11.65	\$0.00	\$2,348.48	\$6,993.30	\$0.00	\$14,000.00
12/01/51	\$2,328.09	\$8.74	0.25%	\$2,336.83	\$8.74	\$0.00	\$2,345.57	\$4,665.21	\$0.00	\$14,000.00
06/01/52	\$2,331.00	\$5.83	0.25%	\$2,336.83	\$5.83	\$0.00	\$2,342.66	\$2,334.21	\$0.00	\$14,000.00
12/01/52	\$2,334.21	\$2.62	0.25%	\$2,336.83	\$2.92	\$0.00	\$2,339.75	\$0.00	\$0.00	\$14,000.00
Totals	\$135,000.00	\$5,209.80		\$140,209.80	\$5,210.10	\$0.00	\$145,419.90		\$14,000.00	

Created by KIA on 12/07/2021

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

- (A) Unless otherwise agreed to by the Authority, all Loan proceeds shall be expended by the Governmental Agency no later than six months after the initiation of operation of the Project.

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **November 5, 2020 – 1:00 p.m.**
 Kentucky Infrastructure Authority
 Via Video Conference

Members present:

Mr. Dennis Keene, Commissioner, Department for Local Government
Mr. Winston Miller, proxy for. Holly M. Johnson, Secretary, Finance and Administration Cabinet
Mr. Paul Miller, proxy for Rebecca Goodman, Secretary, Energy and Environment Cabinet
Mr. Ron Lovan, Representing the Kentucky Section of the American Water Works Association
Mr. Jeb Pinney, proxy for Kent Chandler, Executive Director, Public Service Commission
Mr. Bobby Aldridge, proxy for Interim Secretary Larry Hayes, Cabinet for Economic Development
Mr. Russell Rose, representing Kentucky Rural Water Association
Mayor Les Stapleton, representing Kentucky League of Cities
Mr. Robert A. Amato, representing Kentucky Municipal Utilities Association
Mr. Kurt Stafford, representing the For-Profit Water Companies
Judge David A. Voegelé, representing Kentucky Association of Counties

DLG Staff:

Ms. Megan Armstrong, Public Information Officer
Mr. Eddie Jacobs, Chief of Staff
Ms. Mary Palmer, Executive Assistant
Mr. Matthew Stephens, General Counsel
Ms. Kim Wooldridge, Executive Assistant

KIA Staff:

Ms. Linda Bridwell, Deputy Executive Director
Ms. Julie Bickers, Regional Compliance Coordinator
Mr. Bryan Bunch, Systems Engineer IT
Mr. Kelly Cunnagin, Executive Staff Assistant
Mr. Alex Fisher, Financial Analyst
Ms. Carmen Ignat, Financial Analyst
Ms. Debbie Landrum, Regional Compliance Coordinator
Ms. Meg Link, Administrative Specialist III and KIA Secretary
Mr. Don Schierer, WRIS Resource Management Analyst
Ms. Sarah Parsley, Regional Compliance Coordinator
Mr. Tom Schubert, GIS Specialist
Ms. Meili Sun, Financial Analyst

Guests:

Mr. Jory Becker, Division of Water
Mr. Carlos Campbell, City of Hazard
Ms. Bethany Couch, Office of Financial Management
Ms. Jessica Keene, City of Whitesburg
Mr. Paul Nesbitt, Nesbitt Engineering
Mr. Alan Robinson, Eclipse Engineering
Mr. Damon Talley, Stoll, Keenon Ogden
Ms. Julia Wang, Legislative Research Commission

Mr. Stephen Whitaker, McCreary County Water District
Ms. Sandy Williams, Office of Financial Management

PROCEEDINGS

Commissioner Dennis Keene, called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. He noted that the press notification distribution had been done appropriately and confirmed a quorum was present. Meg Link, KIA Secretary was asked to call the Roll.

I. BUSINESS (Board Action Required)

1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of September 24, 2020

Judge David Voegelé moved to approve the minutes of the September 24, 2020, regular board meeting. Mr. Ron Lovan 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 ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F20-026) FOR AN AMOUNT UP TO \$600,000 TO THE CITY OF WHITESBURG, LETCHER COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Meili Sun, KIA, discussed the City of Whitesburg's request for a Fund F loan, (F20-026) for an amount up to \$1,100,000 for the Water Storage Tank Replacement project. This project will replace two tanks in the Whitesburg Water System. Both tanks have been experiencing leaks that are cost ineffective to repair. The Shady Drive tank is a 175,000-gallon tank which will be replaced with a 200,000-gallon tank to lessen pump cycling. The new tank will increase the overall storage for the system and improve the techniques of isolating areas during leaks. Hale Drive tank will also be replaced, but will remain at its current capacity of 275,000 gallons. The replacements will ensure that the tanks are in an adequate and safe condition to continue serving the existing customers in the City and surrounding area.

The City provides retail water to approximately 1,400 customers and wholesale water to the Letcher County Water and Sewer District, which is a PSC regulated entity. Wholesale water is less than 10% of the total usage.

Mr. Bob Amato moved to approve the Fund F loan (F20-026), for an amount up to \$600,000 with the standard conditions. Mr. Paul Miller seconded and the motion was unanimously approved.

2. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F21-019) FOR AN AMOUNT UP TO \$2,200,000 TO THE CITY OF WHITESBURG, LETCHER COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Meili Sun, KIA, discussed the City of Whitesburg's request for a Fund F Loan, F21-019, for an amount up to \$2,200,000 for the KY HWY 931 Waterline Extension Project. This project will install approximately 61,000 LF of 2", 3", 4", and 6" PVC waterlines, meters, flushing hydrants, a water storage tank, and a duplex pump station. The extension will serve 166 households who currently rely on wells or hauled water. The duplex pump station will be constructed at the end of the existing 6" waterline to ensure that water pressure requirements are met at the top of the hill on KY HWY 931. This will provide the currently unserved residents with a reliable and safe supply of potable water while increasing rate revenues to the City from the new customers.

The City provides retail water to approximately 1,400 customers and wholesale water to the Letcher County Water and Sewer District, which is a PSC regulated entity. Wholesale water is less than 10% of the total usage.

Mr. Ron Lovan moved to approve the Fund F Loan (F21-019) for an amount up to \$2,200,000 with the standard conditions. Mr. Paul Miller 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 A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F21-025) FOR AN AMOUNT UP TO \$270,000 TO THE MCCREARY COUNTY WATER DISTRICT, MCCREARY COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Meili Sun, KIA, discussed the McCreary County Water District's request for a Fund F loan in the amount of \$270,000 for the Catron/Needle Road Water Line project. This project will install 6,550 linear feet of 3-inch water line that will provide a safe and reliable source of potable water to nine unserved customers. If available, any remaining funds will extend approximately 2,500 linear feet of 3-inch water line along KY 896 (Noah Dock Road) to serve additional customers.

The District currently serves approximately 5,900 retail water customers and 1,100 sewer customers in McCreary County and provide wholesale water to the Whitley County Water District and the City of Onieda in Tennessee. Both McCreary and Whitley County Water Districts are under the Public Service Commission jurisdiction ("PSC") and subject to PSC rate regulations. The District had not sold any water to Onieda in the past 3 years due to the need basis agreement but may resume sales in 2021 to supply water for Onieda's source water project.

Mr. Bob Amato asked how many additional customers would be added to service. Mr. Becker noted 9 customers for the initial project. Mr. Alan Robinson, Eclipse Engineers and Mr. Stephen Whitaker, McCreary County Water District noted that 6 customers would be eligible for service and some customers would be reconnected.

Mr. Jeb Pinney abstained from voting. Mr. Russ Rose made the motion to approve the Fund F loan, F21-025, for an amount up to \$270,000, with the standard conditions and the following special conditions, as required by the PSC: 1) The District shall apply to the Public Service Commission (PSC), pursuant to KRS 278.300, for debt authorization for KIA loan F21-025 in the amount of \$135,000. This debt authorization application should include a financial forecast that meets debt service projected through 2025. 2) Prior to execution of the assistance agreement, the District must receive a Certificate

of Public Convenience and Necessity, pursuant to KRS 278.020, from the PSC for any portion of the project that may require it, or provide an opinion from legal counsel or the staff of the PSC, or a declaratory order from the PSC, that a CPCN is not required for any portion of the assets to be constructed as part of the loan agreement. Mr. Kurt Stafford seconded and the motion was unanimously approved.

4. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F21-076) FOR AN AMOUNT UP TO \$1,637,500 TO THE CITY OF HAZARD, PERRY COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Mr. Alex Fisher, KIA, discussed the City of Hazard's request for a Fund F loan, F21-076, for an amount up to \$1,637,500 for the Emergency Tank Replacement project. This project will replace the Liberty Street tank. This project will construct two 1,000,000 gallon ground storage tanks at the existing location. The existing will be demolished upon completion of the new tank.

The project will include telemetry. Currently, the existing 2,000,000 million-gallon tank feeds the entire Hazard system from the plant, when the tank has issues or needs maintenance, the system must be taken offline. By constructing two 1,000,000 million gallon tanks the City will be able to leave one tank in operation when issues arise or maintenance is necessary and therefore not have to take the system offline.

The project will also include two VFD's at the plant. Governor Andy Beshear issued an emergency declaration due to the results of a tank inspection dated August 14, 2020 that deemed the tank unsafe and needed to be taken out of service.

Currently the City of Hazard serves 9,000 residential and over 750 commercial customers.

Judge David Voegelé asked if the problems were found during a periodic inspection. City officials said it was found by the City's contractor. Mr. Ron Lovan asked Mr. Paul Nesbitt about the tank that ruptured many years ago. Mr. Nesbitt noted it was in Jenkins about 40 years ago, a prominent doctor was killed as a result of the accident. Mr. Lovan thanked Mr. Nesbitt for his input and stated his appreciation to KIA for being able to step in and assist with this project so quickly.

Mr., Ron Lovan made the motion to approved the Fund F Loan, F21-076 in an amount up to \$1,637,500 to the City of Hazard with the standard conditions. Mr. Winston Miller seconded and the motion was unanimously approved.

5. 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:

BORROWER	FUND	AMOUNT UP TO
LaGrange Utilities Commission (Director Level Increase)	A18-016	\$ 202,500
City of Whitesburg	F21-019	\$2,200,000
McCreary County Water District	F21-025	\$ 270,000
City of Hazard	F21-076	\$1,637,500

Judge David Voegelé moved to approve the reimbursement resolution. Mr. Russ Rose seconded and the motion carried unanimously.

EXECUTIVE DIRECTOR'S REPORT

Deputy Executive Director Linda Bridwell discussed the Drinking Water and Clean Water State Revolving Fund Call for Projects deadline is December 4th. A project has to be on the priority list to be eligible to receive funding from the federal programs. The Division of Water completes an initial review of the projects and requested modifications or answers to questions.

The KIA audit is currently being completed. As a reminder, Jeff Abshire left the agency on June 15, 2020, or two weeks prior to the close of the fiscal year. KIA hired Blue & Co. to help prepare our financial statements, and Denise Pitts (a former KIA employee) has been working with us two days a week. The financial statements have been submitted to our auditor, Dean, Dorton & Ford. The Office of Financial Management wanted all agency audits submitted by October 2, but had granted us an extension to November 15 in light of the transition of key personnel. We are targeting completing everything by next week and get it submitted with no issues. We plan to present it to the Board at the December board meeting.

KIA submitted the annual reports to the EPA by the September 30, 2020 deadline.

KIA has been awarded both the CW and DW capitalization grants for FY 2021.

Staff has initiated a billing process that will auto-generate bills to each of our borrowers. A trial run was done this week, but they were duplicates of the paper bills that were mailed out in mid-October. If successful, we will also use this process to communicate with the borrowers on audit submissions. One borrower has requested a delay in payment due to reduced revenues during Covid. We have granted that request and will continue to work with everyone who contacts us.

The financial team staff has been participating in virtual training with the EPA, which has been a great opportunity.

A handful of 2020 projects have not moved forward due to the Covid delays, so the Board will continue to see some of those projects at future meetings.

ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Thursday, December 3, 2020, 1:00 p.m.

There being no further business, Mr. Ron Lovan moved to adjourn. Mr. Russ Rose seconded and the motion carried unanimously. The November 5, 2020 meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

Margaret F. Link

Margaret F. Link, Secretary
Kentucky Infrastructure Authority

November 20, 2020

Date

McCreary CWD Assistance Agr_F21-025


Final Audit Report

2022-03-18

Created:	2022-03-08
By:	Christian Juckett (cljuckett@rubinhays.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAA1i9QAey0mc30rTRhDZD7XNhfb3tP5Cpd

"McCreary CWD Assistance Agr_F21-025" History


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 Agreement completed.

2022-03-18 - 7:09:31 PM GMT

EXHIBIT G-3

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY RURAL WATER FINANCE CORPORATION
AND
MCCREARY COUNTY WATER DISTRICT
DATED
MAY 30, 2012
IN THE AMOUNT OF \$4,800,000

This document was prepared by:

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

By

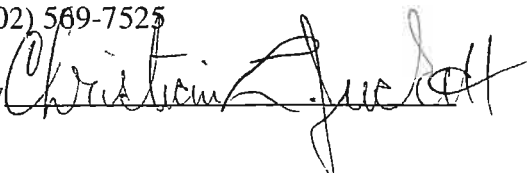


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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of May 30, 2012 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") and the McCreary County Water District, P.O. Box 488, Whitley City, Kentucky 42653 (the "Governmental Agency"):

WITNESSETH

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

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D (the "Series 2012D Bonds") in the aggregate principal amount of \$15,975,000, pursuant to a Supplemental Trust Indenture No. 46, dated as of May 30, 2012 by and between the Issuer and the Trustee, which Series 2012D Bonds will rank on a parity with the Series 2001 Bonds and the proceeds of which will be used by certain Governmental Agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the Governmental Agencies and the Issuer; and

WHEREAS, the Governmental Agency has outstanding its (i) McCreary County Water District Waterworks Revenue Bonds, Series 1993, dated June 21, 1994, in the original principal amount of \$794,000, (ii) McCreary County Water District Waterworks Revenue Bonds, Series 1997, dated February 13, 1998, in the original principal amount of \$390,000, (iii) McCreary County Water District Sewer System Revenue Bonds, Series 1997, dated January 14, 1998, in the original authorized principal amount of \$972,000, (iv) McCreary County Water District Waterworks Revenue Bonds, Series 2001, dated February 6, 2002, in the original principal amount of \$2,500,000, and (v) McCreary County Water District Sewer System Revenue Bonds, Series 2002A, dated September 6, 2002, in the original authorized principal amount of \$850,000 (collectively, the "Refunded Bonds"), which bonds were issued by the Governmental Agency to make improvements and extensions to the Governmental Agency's water system (the "System"); and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to currently refund the Refunded Bonds, in order to effect substantial

debt service savings (the "Project"), and the Issuer has determined that the Project is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

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

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

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

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$4,800,000 [the "Obligations"], for the purpose of providing funds for the Project, and to reaffirm the conditions and restrictions under which similar bonds or obligations may be subsequently issued ranking on a parity therewith; and

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

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

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

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

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

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

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

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

"Bond Legislation of 1991B" or *"1991B Bond Legislation"* refers to the resolution authorizing the Series 1991B Bonds.

"Bond Legislation of 1993" or *"1993 Bond Legislation"* refers to the resolution authorizing the Series 1993 Bonds.

"Bond Legislation of 1997 Water" or *"1997 Water Bond Legislation"* refers to the resolution authorizing the Series 1997 Water Bonds.

"Bond Legislation of 1997 Sewer" or *"1997 Sewer Bond Legislation"* refers to the resolution authorizing the Series 1997 Sewer Bonds.

"Bond Legislation of 2001" or *"2001 Bond Legislation"* refers to the resolution authorizing the Series 2001 Bonds.

"Bond Legislation of 2002A Sewer" or *"2002A Sewer Bond Legislation"* refers to the resolution authorizing the Series 2002A Sewer Bonds.

"Bond Legislation of 2005" or *"2005 Bond Legislation"* refer to the Resolution authorizing the Series 2005 Bonds.

"Bond Legislation of 2008 - New Liberty" or *"2008 New Liberty Bond Legislation"* refer to the Resolution authorizing the Series 2008 Bonds - New Liberty.

"Bond Legislation of 2008 - Cumberland Falls" or *"2008 Cumberland Falls Bond Legislation"* refer to the Resolution authorizing the Series 2008 Bonds - Cumberland Falls.

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

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

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

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

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

"*Current Sinking Fund*" refers to the McCreary County Water District Water System Sinking Fund of 2008, described in Section 402 of the 2008 New Liberty Bond Legislation and the 2008 Cumberland Falls Bond Legislation.

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

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

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

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

"*Governmental Agency*" refers to the McCreary County Water District, P.O. Box 488, Whitley City, Kentucky 42653.

"*Governmental Agency Chief Executive*" refers to the Chairman of the Board of Commissioners of the Governmental Agency.

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

"*Indenture*" means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 46, dated May 30, 2012, by and between the Issuer and the Trustee.

"*Interest Payment Date*" shall mean the 1st day of each month, commencing July 1, 2012 and continuing through and including January 1, 2041 or until the Loan has been paid in full.

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

"KIA" refers to the Kentucky Infrastructure Authority, a body corporate and politic and an agency of the Commonwealth of Kentucky.

"KIA Loan" refers to the loan to the Governmental Agency from the KIA, dated January 1, 2004, in the principal amount of \$1,725,714.

"Obligations" refers to the Loan authorized by this Assistance Agreement in the principal amount of \$4,800,000, maturing January 1, 2041.

"Operation and Maintenance Fund" refers to the McCreary County Water District Water System Operation and Maintenance Fund described in the Prior Bond Legislation, and which Fund will continue to be maintained for the benefit of all of the Bonds.

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

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

"Permitted Investments" refers to the following:

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

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

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

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

- i. Federal Home Loan Mortgage Corporation;
- ii. Federal Farm Credit Banks;

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

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);

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

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

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

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

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

(j) Shares of mutual funds, each of which shall have the following characteristics:

- i. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
- ii. The management company of the investment company shall have been in operation for at least five (5) years; and
- iii. All of the securities in the mutual fund shall be eligible investments under this section.

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

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

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

"Prior Bond Legislation" refers collectively to the 2004A Assistance Agreement and the 2005 Bond Legislation.

"Prior Bonds" refers collectively to Series 2004A Loan, Series 2005 Bonds, and the KIA Loan.

"Prior Sinking Fund" refers to the McCreary County Water District Water System Revenue Bond and Interest Sinking Fund, described in Section 401 of the 2008 New Liberty Bond Legislation and the 2008 Cumberland Falls Bond Legislation.

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

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

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

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

"Refunded Bonds" refers to the Series 1993 Bonds, Series 1997 Water Bonds, Series 1997 Sewer Bonds, Series 2001 Bonds, and Series 2002A Sewer Bonds.

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

"Series 1993 Bonds" refers to the outstanding McCreary County Water District Water System Revenue Bonds, Series of 1993, dated June 21, 1994, in the original authorized principal amount of \$794,000.

"Series 1997 Water Bonds" refers to the outstanding McCreary County Water District Water System Revenue Bonds, Series of 1997, dated February 13, 1998, in the original authorized principal amount of \$390,000.

"Series 1997 Sewer Bonds" refers to the outstanding McCreary County Water District Sewer System Revenue Bonds, Series 1997, dated January 14, 1998, in the original authorized principal amount of \$972,000

"*Series 2001 Bonds*" refers to the outstanding McCreary County Water District Water System Revenue Bonds, Series of 2001, dated February 6, 2002, in the original authorized principal amount of \$2,500,000.

"*Series 2002A Sewer Bonds*" refers to the outstanding McCreary County Water District Sewer System Revenue Bonds, Series 2002A, dated September 6, 2002, in the original authorized principal amount of \$850,000

"*Series 2004A Assistance Agreement*" or "*2004A Assistance Agreement*" refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated March 24, 2004, authorizing the loan in the principal amount of \$2,050,000 from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2004A.

"*Series 2004A Loan*" refers to the loan to the Governmental Agency in the principal amount of \$2,050,000, dated March 24, 2004, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2004A.

"*Series 2005 Bonds*" refers to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$750,000.

"*Series 2008 New Liberty Bonds*" refers to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008, in the original authorized principal amount of \$325,000.

"*Series 2008 Cumberland Falls Bonds*" refers to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008, in the original authorized principal amount of \$150,000.

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

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

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

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

Section 2. Reaffirmation of Declaration of Water System. That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Governmental Agency as a water system are hereby in all respects ratified and confirmed; and so

long as any of the Obligations hereinafter authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and maintained for the security and source of payment of the Obligations. Said System is hereby declared to constitute a public project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

Section 3. Authorization of Obligations; Place of Payment; Manner of Execution. That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$4,800,000 from the Program, for the purpose of providing funds for the Project.

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

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

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

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

Section 4. Redemption.

(a) *Optional Redemption.* Subject to the prior written approval of the Compliance Group, the Obligations maturing on or after January 1, 2022 are subject to optional redemption, in whole or in part, by the Governmental Agency prior to their stated maturity, at any time falling on or after January 1, 2021 at a redemption price equal to 100% of the principal amount of the Obligations called for redemption, plus unpaid interest accrued to the date of redemption.

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

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

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

Section 5. Recognition of Prior Bonds. The Governmental Agency hereby expressly recognizes and acknowledges that the Governmental Agency has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Legislation.

Section 6. Obligations Payable Out of Revenues on a Parity with Prior Bonds. All of the Obligations and Prior Bonds, together with the interest thereon and such additional bonds ranking on a parity therewith heretofore issued and outstanding and that may be hereafter issued and outstanding from time to time under the conditions and restrictions hereinafter set forth, shall be payable out of the Prior Sinking Fund, as heretofore created in the Prior Bond Legislation and as hereinafter more specifically provided and shall be a valid claim of the holder thereof only against said fund and the fixed portion or amount of the income and revenues of the System of said Governmental Agency pledged to said fund.

Section 7. Compliance with Parity Coverage Requirements of the Prior Bond Legislation. It is hereby declared that in accordance with the provisions of the Prior Bond Legislation, and prior to the issuance of any of the Obligations hereby authorized, there will be procured and filed with the Governmental Agency Clerk of said Governmental Agency any and all statements or certifications for the purpose of having both principal and interest on the Prior Bonds and the Obligations hereby authorized payable on a parity from the income and revenues of said System with said outstanding Prior Bonds.

Section 8. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Prior Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the Prior Bonds; for the operation of said System on a revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; and for the enforcement and payment of the Prior Bonds; and all other covenants for the benefit of the bondholders set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Bonds, the same as if such provisions and proceedings were repeated in full herein; provided,

further, that, hereafter, the income and revenues of the System shall be collected, segregated, accounted for, and distributed as follows:

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

B. Prior Sinking Fund. It is hereby recognized that the Governmental Agency is obligated upon the issuance of the Obligations to provide for additional debt service requirements of the Obligations.

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

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

C. Current Sinking Fund. After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred from the Revenue Fund and deposited into the Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth ($1/6$) of the next succeeding six-month interest payment to become due on the Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls Bonds then outstanding, plus
- (2) A sum equal to one-twelfth ($1/12$) of the principal of any Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls Bonds maturing on the next succeeding principal payment date.

Said Current Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls Bonds.

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into, first, the Prior Sinking Fund, then the Current Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposits otherwise required during such succeeding months.

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

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

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

Section 9. Disposition of Proceeds of the Obligations; Governmental Agency Account. Upon (i) the execution of this Assistance Agreement, (ii) the delivery of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted in the Program, and (iv) upon receipt by the Governmental Agency of the proceeds of the Obligations, the proceeds shall be applied as follows:

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

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

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "McCreary County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and such amount on deposit in said Governmental Agency Account shall be transferred to the Rural Development (the "RD") of the Department of Agriculture of the United States of America, the holder of the Refunded Bonds, as may be required:

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

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

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

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

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

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

Section 10. Arbitrage Limitations.

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

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

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

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

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

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

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

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

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

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

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

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

Prior to or at the time of delivery of the Obligations, the Governmental Agency Chief Executive and/or the Governmental Agency Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Obligations, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Obligations will be exempt from all federal income taxes and that the Obligations will not constitute or be treated as arbitrage bonds.

Section 11. Parity Bonds. The Obligations shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, regardless of the fact they may be actually issued and delivered at different times, and provided further that the lien and security of and for any bonds or obligations hereafter issued that are payable from the income and revenues of the System, shall, except as set out herein, be subject to the priority of the Prior Bonds and the Obligations as may from time to time be outstanding; provided the Governmental Agency has in said Prior Bond Legislation reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the Prior Bonds and with the Obligations, but only under the conditions specified in the Prior Bond Legislation, which conditions are hereinafter repeated, taking into account the issuance of the Obligations.

The Governmental Agency reserves the right to finance future extensions, additions, and/or improvements to the System by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from, the revenues of the System pledged to the Prior Bonds and the Obligations, provided;

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

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

(c) The annual net revenues (defined as gross revenues less operating expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Bonds are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the

revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such additional Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

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

(1) any revisions in the System's schedule of rates or charges being imposed 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) Reference is made to the necessity of obtaining the written consent of the United States Department of Agriculture Farmers Home Administration or its successor [the "FHA"] for the issuance of future bonds encumbering the System while the FHA holds any bonds payable from the revenues of the System.

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

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

(2) in the alternative, that the average annual debt service requirements for the proposed Parity Bonds, in any year of maturities thereof after the redemption of the Obligations scheduled to be refunded through the issuance of the proposed Parity Bonds, shall not exceed the average annual debt service requirements applicable to the then outstanding Obligations for any year prior to the issuance of the proposed Parity Bonds and the redemption of the Outstanding Bonds to be refunded.

Section 12. Rates and Charges for Services of the System. While there are any Outstanding Bonds, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the Outstanding Bonds and the accruing interest on all Outstanding Bonds as may be outstanding under the provisions of this Assistance Agreement and the Prior Bond Legislation, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Assistance Agreement. Prior to the issuance of the Obligations a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Assistance Agreement has been established and adopted.

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (as defined in Section 11 hereof) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 11 hereof.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year, calculated in the manner specified in Section 11 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 13. All Obligations of this Issue Are Equal. The Obligations authorized and permitted to be issued hereunder, and from time to time outstanding, shall not be entitled to priority one over the other in the application of the income and revenues of the System regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, the Prior Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

Section 14. Defeasance and/or Refunding of Obligations. The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the

outstanding Obligations to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or U.S. Obligations, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such outstanding Obligations, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the outstanding Obligations to and on said date, or (b) to pay all principal and interest requirements on the outstanding Obligations as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body. Such U.S. Obligations shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the outstanding Obligations and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 15. Contractual Nature of Assistance Agreement. The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of any of such Obligations, no change, variation or alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided (a) that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 16. Appointment and Duties of Trustee. The Trustee is hereby designated as the bond registrar and paying agent with respect to the Obligations.

Its duties as Trustee shall be as follows:

- (a) To register all of the Obligations in the names of the Issuer;
- (b) To cancel and destroy (or remit to the Governmental Agency for destruction, if so requested by the Governmental Agency) all exchanged, matured, retired and redeemed Obligations, and to maintain adequate records relevant thereto;
- (c) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;
- (d) To notify the Issuer of any Obligations to be redeemed and to redeem Obligations prior to their stated maturity upon receiving sufficient funds; and

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

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

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

Section 17. Provisions in Conflict Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 18. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986. In order to assure purchasers of the Obligations that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no actions which will violate any of the provisions of the Code, or would cause the Obligations to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Obligations will be used for any purpose which would cause the interest on the Obligations to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations.

The Governmental Agency reserves the right to amend this Assistance Agreement but only with the consent of the Issuer (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Obligations shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of these Obligations, or the application of such proceeds or of the revenues of the System. The purchasers of these Obligations are deemed to have relied fully

upon these covenants and undertakings on the part of the Governmental Agency as part of the consideration for the purchase of the Obligations. To the extent that the Governmental Agency obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Assistance Agreement or referred to in this Assistance Agreement would not subject interest on the Obligations to federal income taxes or Kentucky income taxes, the Governmental Agency shall not be required to comply with such covenants or requirements.

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

Section 19. Insurance.

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

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

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

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

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

Section 20. Event of Default; Remedies. The following items shall constitute an "Event of Default" on the part of the Governmental Agency:

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

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

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

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

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

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

Section 21. Annual Reports. The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 2011) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

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

Section 22. Supplemental Assistance Agreement. The Governmental Agency may, but only with the consent of the Issuer, execute one or more supplemental Assistance Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

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

Section 23. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 24. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 25. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto shall become in default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

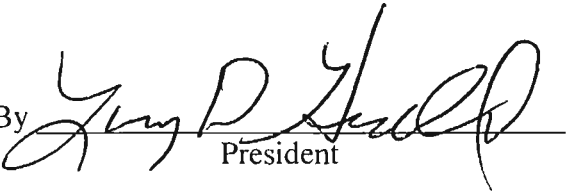
Section 26. Signatures of Officers. If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Obligations cease to be such officers before delivery of the Obligations, such signatures shall nevertheless be valid for all purposes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

Section 27. Severability Clause. If any section, paragraph, clause or provision of this Assistance Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Assistance Agreement.

[Signature page follows]

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

KENTUCKY RURAL WATER FINANCE
CORPORATION

By _____
President

Attest:

By _____
Secretary/Treasurer

MCCREARY COUNTY WATER
DISTRICT

By _____
Chairman

Attest:

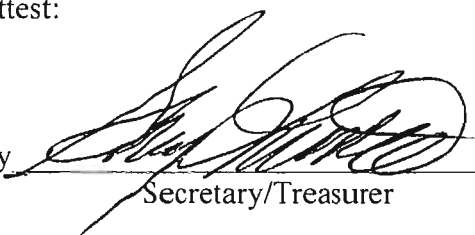
By _____
Secretary

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KENTUCKY RURAL WATER FINANCE
CORPORATION

By _____
President

Attest:

By  _____
Secretary/Treasurer

MCCREARY COUNTY WATER
DISTRICT

By _____
Chairman

Attest:

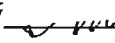
By _____
Secretary

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KENTUCKY RURAL WATER FINANCE
CORPORATION

By _____
President

Attest:

By 
Secretary/Treasurer

MCCREARY COUNTY WATER
DISTRICT

By 
Chairman

Attest:

By 
Secretary

EXHIBIT A

Debt Service Schedule

KRWFC Flexible Term Program Series 2012 D
Sinking Fund Payment Schedule

Borrower: McCreary County Water District
Closing Date: 05/30/12

	Monthly Principal	Monthly Interest	Monthly Admin.Fees	Total Monthly Sinking Fund Payments
7/12-1/13	12,857.14	16,111.14	918.10	29,886.38
2/13-7/13	10,416.67	13,738.75	785.00	24,940.42
8/13-1/14	10,416.67	13,738.75	785.00	24,940.42
2/14-8/14	10,833.33	13,322.08	764.17	24,919.58
8/14-1/15	10,833.33	13,322.08	764.17	24,919.58
2/15-7/15	11,250.00	12,888.75	742.50	24,881.25
8/15-1/16	11,250.00	12,888.75	742.50	24,881.25
2/16-7/16	11,250.00	12,551.25	720.00	24,521.25
8/16-1/17	11,250.00	12,551.25	720.00	24,521.25
2/17-7/17	11,666.67	12,326.25	697.50	24,690.42
8/17-1/18	11,666.67	12,326.25	697.50	24,690.42
2/18-7/18	12,083.33	11,976.25	674.17	24,733.75
8/18-1/19	12,083.33	11,976.25	674.17	24,733.75
2/19-7/19	12,500.00	11,613.75	650.00	24,763.75
8/19-1-20	12,500.00	11,613.75	650.00	24,763.75
2/20-7/20	12,916.67	11,238.75	625.00	24,780.42
8/20-1/21	12,916.67	11,238.75	625.00	24,780.42
2/21-7/21	13,333.33	10,883.54	599.17	24,816.04
8/21-1/22	13,333.33	10,883.54	599.17	24,816.04
2/22-7/22	13,750.00	10,483.54	572.50	24,806.04
8/22-1/23	13,750.00	10,483.54	572.50	24,806.04
2/23-7/23	13,750.00	10,057.29	545.00	24,352.29
8/23-1/24	13,750.00	10,057.29	545.00	24,352.29
2/24-7/24	14,583.33	9,617.29	517.50	24,718.13
8/24-1/25	14,583.33	9,617.29	517.50	24,718.13
2/25-7/25	15,000.00	9,121.46	488.33	24,609.79
8/25-1/26	15,000.00	9,121.46	488.33	24,609.79
2/26-7/26	15,416.67	8,611.46	458.33	24,486.46
8/26-1/27	15,416.67	8,611.46	458.33	24,486.46
2/27-7/27	16,250.00	8,071.88	427.50	24,749.38
8/27-1/28	16,250.00	8,071.88	427.50	24,749.38
2/28-7/28	16,666.67	7,503.13	395.00	24,564.79
8/28-1/29	16,666.67	7,503.13	395.00	24,564.79
2/29-7/29	17,500.00	6,919.79	361.67	24,781.46
8/29-1/30	17,500.00	6,919.79	361.67	24,781.46
2/30-7/30	17,916.67	6,285.42	326.67	24,528.75
8/30-2/31	17,916.67	6,285.42	326.67	24,528.75
2/31-7/31	18,750.00	5,635.94	290.83	24,676.77
8/31-1/32	18,750.00	5,635.94	290.83	24,676.77
2/32-7/32	19,583.33	4,932.81	253.33	24,769.48
8/32-1/33	19,583.33	4,932.81	253.33	24,769.48
2/33-7/33	16,250.00	4,198.44	214.17	20,662.61
8/33-1/34	16,250.00	4,198.44	214.17	20,662.61
2/34-7/34	16,666.67	3,589.06	181.67	20,437.40
8/34-1/35	16,666.67	3,589.06	181.67	20,437.40
2/35-7/35	17,083.33	2,964.06	148.33	20,195.73
8/35-1/36	17,083.33	2,964.06	148.33	20,195.73
2/36-7/36	16,250.00	2,280.73	114.17	18,644.90
8/36-1/37	16,250.00	2,280.73	114.17	18,644.90
2/37-7/37	12,500.00	1,630.73	81.67	14,212.40
8/37-1/38	12,500.00	1,630.73	81.67	14,212.40
2/38-7/38	12,916.67	1,130.73	56.67	14,104.06
8/38-1/39	12,916.67	1,130.73	56.67	14,104.06
2/39-7/39	13,333.33	614.06	30.83	13,978.23
8/39-1/40	13,333.33	614.06	30.83	13,978.23
2/41-7/41	2,083.33	80.73	4.17	2,168.23
8/41-2/41	2,083.33	80.73	4.17	2,168.23
	<u>4,800,000.00</u>	<u>2,683,993.06</u>	<u>147,136.67</u>	<u>7,631,129.73</u>

EXHIBIT G-4

RECEIVED

FEB 18 2013

PUBLIC SERVICE
COMMISSION

RESOLUTION

RESOLUTION OF THE MCCREARY COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN AMENDED ASSISTANCE AGREEMENT WITH THE KENTUCKY RURAL WATER FINANCE CORPORATION FOR THE PURPOSE OF AMENDING A LOAN TO THE DISTRICT.

WHEREAS, the Board of Commissioners of the McCreary County Water District (the "District") previously obtained a loan dated March 24, 2004, in the amount of \$2,050,000 (the "Series 2004A Loan") from the proceeds of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2004A (the "Series 2004A Bonds") to refund bonds secured by the District's water system (the "System"); and

WHEREAS, the Kentucky Rural Water Finance Corporation (the "Corporation") has determined that if the Corporation refunds the outstanding Series 2004A Bonds that the District can obtain debt service savings on its Series 2004A Loan; and

WHEREAS, the Board of Commissioners has determined that it is in the public interest to amend the outstanding Series 2004A Loan, in order for the District to obtain substantial debt service savings; and

WHEREAS, the District desires the Corporation to act as its agency and instrumentality for the purpose of issuing bonds to refund the Series 2004A Bonds for the purpose of amending the outstanding Series 2004A Loan and has made an application to the Corporation therefore; and

WHEREAS, in order to obtain such debt service savings, the District is required to enter into an Amended Assistance Agreement with the Corporation;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the McCreary County Water District as follows:

1. Authorization of Amended Assistance Agreement and the Series 2004A Loan Thereunder. The District hereby authorizes and approves an Amended Assistance Agreement for the Series 2004A Loan for the purpose of achieving debt service savings on its Series 2004A Loan all as agreed upon by the District and the Corporation.

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

and on behalf of the District; and the Secretary is authorized to attest same and to affix thereto the corporate seal of the District. The Amended Assistance Agreement is hereby ordered to be filed in the office of the Secretary with this Resolution in the official records of the District.

3. Disbursement of Proceeds of Series 2004A Loan. The District's officers, employees and agents are authorized to carry out the procedures specified in the Amended Assistance Agreement for the amendment of the Series 2004A Loan and for the payment from time to time of the costs and related expenses associated therewith.

4. Revenues of the System. The revenues of the System are determined to be sufficient to pay the principal of and interest on the Series 2004A Loan, as the same become due and payable; and said revenues, pursuant to the terms of the Amended Assistance Agreement, are hereby pledged to secure all such payments, and in addition, for such other purposes as are more fully specified in the Amended Assistance Agreement.

5. Chairman and Other District Officials to Take Any Other Necessary Action. Pursuant to the Constitution and Laws of the Commonwealth of Kentucky, the Chairman, Treasurer, Secretary and all other appropriate officials of the District are hereby authorized and directed to file any and all applications necessary to obtain approval for the amendment of the Series 2004A Loan from the Kentucky Public Service Commission and to take any and all further action and to execute and deliver all other documents as may be reasonably necessary to effect the issuance and delivery of the Amended Assistance Agreement.

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

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

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

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

[Signature Page Follows]

Adopted on January 29, 2013.

MCCREARY COUNTY WATER
DISTRICT

By Raymond Taylor
Chairman

Attest:

By Cory Taylor
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of the District at a meeting duly held on January 29, 2013; that said official action appears as a matter of public record in the official records or Journal of the Board of Commissioners; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this January 29, 2013.

Cory Taylor
Secretary

EXHIBIT G-5

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY RURAL WATER FINANCE CORPORATION
AND
MCCREARY COUNTY WATER DISTRICT
DATED
SEPTEMBER 23, 2020
IN THE AMOUNT OF \$1,705,000

This document was prepared by:

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

By

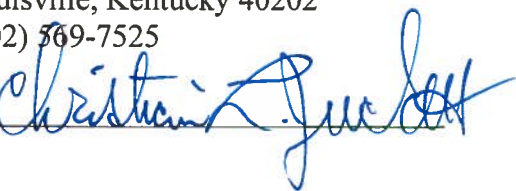


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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of September 23, 2020 (the “Assistance Agreement”) by and between the Kentucky Rural Water Finance Corporation, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the “Issuer”) and the McCreary County Water District, 456 North Hwy 27, Whitley City, Kentucky 42653 (the “Governmental Agency”):

WITNESSETH

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the “Program”) designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer issued, in various series, its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program) pursuant to a Trust Indenture dated as of April 4, 2001, as supplemented from time to time (collectively, the “Indenture”) between the Issuer and Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as trustee (the “Trustee”), the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to assistance agreements; and

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020E (the “Series 2020E Bonds”) in the aggregate principal amount of \$11,375,000, pursuant to a Supplemental Trust Indenture No. 77, dated as of September 23, 2020 by and between the Issuer and the Trustee, which Series 2020E Bonds will rank on a parity with the other outstanding bonds issued under the terms of the Indenture and the proceeds of which will be used by certain governmental agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the governmental agencies and the Issuer; and

WHEREAS, the Governmental Agency has outstanding its:

- (i) McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$750,000;
- (ii) McCreary County Water District Sewer System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$290,000;
- (iii) McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008, in the original authorized principal amount of \$325,000;
- (iv) McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008, in the original authorized principal amount of \$150,000; and
- (v) Loan to the District from the United Cumberland Bank, dated December 28, 2018, in the original principal amount of \$495,000

(collectively, the “Refunded Bonds”), which bonds were issued by the Governmental Agency to make improvements and extensions to the Governmental Agency’s water and sewer system (the “System”); and

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

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

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

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

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the “Loan”) in the amount of \$1,705,000 for the Refunding Program, and to reaffirm the conditions and restrictions under which similar bonds or obligations may be subsequently issued ranking on a parity therewith; and

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

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

WHEREAS, the Issuer and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their

respective duties, rights, covenants, and obligations with respect to the financing of the Refunding Program subject to 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:

Section 1. Definitions.

As used in this Assistance Agreement, unless the context requires otherwise:

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

“Assistance Agreement” refers to this Assistance Agreement authorizing the Loan and the obligations hereunder.

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

“Bond Legislation of 2005 - Water” or *“2005 Water Bond Legislation”* refer to the Resolution authorizing the Series 2005 Water Bonds.

“Bond Legislation of 2005 - Sewer” or *“2005 Sewer Bond Legislation”* refer to the Resolution authorizing the Series 2005 Sewer Bonds.

“Bond Legislation of 2008 - New Liberty” or *“2008 New Liberty Bond Legislation”* refer to the Resolution authorizing the Bonds of 2008 - New Liberty.

“Bond Legislation of 2008 - Cumberland Falls” or *“2008 Cumberland Falls Bond Legislation”* refer to the Resolution authorizing the Bonds of 2008 - Cumberland Falls.

“Bond Legislation of 2012” or *“2012 Bond Legislation”* refer to the Resolution authorizing the Series 2012 Bonds.

“Bond Legislation of 2015” or *“2015 Bond Legislation”* refer to the Resolution authorizing the Series 2015 Bonds.

“Bond Legislation of 2020” or *“2020 Bond Legislation”* refer to the Resolution authorizing the Series 2020 Bonds.

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

“Bonds” refers to the Loan, the Prior Bonds and any additional Parity Bonds.

“Bonds of 2005 - Water” or *“Series 2005 Water Bonds”* refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$750,000.

“Bonds of 2005 - Sewer” or *“Series 2005 Sewer Bonds”* refer to the outstanding McCreary County Water District Sewer System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$290,000.

“Bonds of 2008 - New Liberty” or *“Series 2008 New Liberty Bonds”* refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008, in the original authorized principal amount of \$325,000.

“Bonds of 2008 - Cumberland Falls” or *“Series 2008 Cumberland Falls Bonds”* refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008, in the original authorized principal amount of \$150,000.

“Bonds of 2012” or *“Series 2012 Bonds”* refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013, in the original authorized principal amount of \$1,935,000, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds.

“Bonds of 2015” or *“Series 2015 Bonds”* refer to the outstanding McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, dated February 5, 2016, in the original authorized principal amount of \$1,158,000.

“Bonds of 2020” or *“Series 2020 Bonds”* refer to the outstanding McCreary County Water District Water and Sewer Revenue Bonds, Series 2020 (Stearns/Smithtown Phase 2 Water Improvements Project), dated May 28, 2020, in the original principal amount of \$1,324,000.

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

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

“Compliance Group” refers to the Compliance Group identified and defined in the Indenture.

“Engineer” or *“Independent Consulting Engineer”* refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of water and sewer engineering.

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

“*Funds*” refers collectively to the Revenue Fund, the Sinking Fund, the Sinking Fund of 2020, the Operation and Maintenance Fund, and the Governmental Agency Account.

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

“*Governmental Agency*” refers to the McCreary County Water District, 456 North Hwy 27, Whitley City, Kentucky 42653.

“*Governmental Agency Chief Executive*” refers to the Chairman of the Governing Body.

“*Governmental Agency Clerk*” refers to the Secretary of the Governmental Agency.

“*Indenture*” means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 77, dated September 23, 2020, by and between the Issuer and the Trustee.

“*Interest Payment Date*” shall mean the 1st day of each month, commencing November 1, 2020 and continuing through and including January 1, 2050 or until the Loan has been paid in full.

“*Issuer*” refers to the Kentucky Rural Water Finance Corporation, 1151 Old Porter Pike, Bowling Green, Kentucky 42103.

“*KIA*” refers to the Kentucky Infrastructure Authority, an agency and instrumentality of the Commonwealth of Kentucky.

“*KIA Loan*” refers to the loan to the Governmental Agency from the Kentucky Infrastructure Authority, dated January 1, 2004, in the original principal amount of \$1,725,714.

“*Loan*” refers to the loan authorized by this Assistance Agreement from the Issuer to the Governmental Agency, in the principal amount of \$1,705,000, maturing January 1, 2050, to defray the cost of the Refunding Program.

“*Operation and Maintenance Fund*” refers to the McCreary County Water District Water and Sewer Operation and Maintenance Fund created in the Prior Bond Legislation and which Operation and Maintenance Fund will continue to be maintained for the benefit of the System.

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

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

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

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

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

1. United States Treasury;
2. Export-Import Bank of the United States;
3. Farmers Home Administration;
4. Government National Mortgage Corporation; and
5. Merchant Marine bonds;

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

1. Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. Bank for Cooperatives;
4. Federal Intermediate Credit Banks;
5. Federal Land Banks;
6. Federal Home Loan Banks;
7. Federal National Mortgage Association; and
8. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4) ;

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one (1) of the three (3) highest

categories by a competent rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a competent rating agency;

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

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

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

(j) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:

1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
2. The management company of the investment company shall have been in operation for at least five (5) years; and
3. All of the securities in the mutual fund shall be eligible investments pursuant to this section;

(k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent (25%) of the equity allocation; and

(l) Individual high-quality corporate bonds that are managed by a professional investment manager that:

1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
2. Have a standard maturity of no more than ten (10) years; and
3. Are rated in the three (3) highest rating categories by at least two (2) competent credit rating agencies.

(m) Any other lawful investment authorized by the Kentucky Revised Statutes to be utilized by local governments with a rating equal to or higher than the rating of the Bonds, as rated by each rating agency then rating the Bonds, including an investment agreement with investment agreement provider whose obligations have a current rating at least equal to the rating on the Bonds.

"Prior Bond Legislation" refers collectively to the Series 2004A Assistance Agreement, 2012 Bond Legislation, the 2012D Assistance Agreement, the 2015 Bond Legislation, the 2020 Bond Legislation, and the resolution authorizing the KIA Loan.

"Prior Bonds" refers collectively to the Series 2004A Loan, Series 2012 Bonds, the Series 2012D Loan, the KIA Loan, the Series 2015 Bonds, and the Series 2020 Bonds.

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

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

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

"Project" refers specifically to the construction of the extensions, additions and improvements to the System that were financed with proceeds of the Refunded Bonds.

"Refunded Bonds" refers to the outstanding Series 2005 Water Bonds, the Series 2005 Sewer Bonds, the Series 2008 New Liberty Bonds, the Series 2008 Cumberland Falls Bonds, and the United Cumberland Bank Loan.

"Refunding Program" refers to the current refunding of the Refunded Bonds with the proceeds of the Loan.

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

"Series 2004A Assistance Agreement" refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated March 24, 2004, authorizing the Series 2004A Loan.

"Series 2004A Loan" refers to the loan to the Governmental Agency, in the principal amount of \$2,050,000, dated March 24, 2004, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2004A, which loan was reamortized on February 27, 2013 to a revised principal amount of \$1,415,000.

"Series 2012D Assistance Agreement" refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated May 30, 2012, authorizing the Series 2012D Loan.

“Series 2012D Loan” refers to the loan to the Governmental Agency, in the principal amount of \$4,800,000, dated May 30, 2012, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D.

“Sinking Fund” refers to the McCreary County Water District Water and Sewer Revenue Bond and Interest Sinking Fund, created in the Prior Bond Legislation and defined as the “Prior Sinking Fund” and which Sinking Fund will continue to be maintained for the benefit of all of the Bonds.

“Sinking Fund of 2020” refers to the McCreary County Water District Water and Sewer Sinking Fund of 2020, created in the Prior Bond Legislation and defined as the “Current Sinking Fund” and which Sinking Fund of 2020 will continue to be maintained for the benefit of all of the Bonds.

“System” refers to the Governmental Agency’s water and sewer system, together with all future extensions, additions and improvements to said System.

“Treasurer” refers to the Treasurer of the Governmental Agency.

“Trustee” refers to Regions Bank, Nashville, Tennessee.

“United Cumberland Bank Loan” refers to the loan from United Cumberland Bank, the proceeds of which were used to acquire a new office building for the Governmental Agency located at 456 N HWY 27, in Whitley City, Kentucky.

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

Section 2. Reaffirmation of Declaration of Water and Sewer System.

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

Section 3. Authorization of Loan; Place of Payment; Manner of Execution.

That pursuant to the Constitution and laws of Kentucky, and particularly the Act, the Governmental Agency hereby authorizes the borrowing of \$1,705,000 from the Program, to provide funds for the Refunding Program.

The Loan is payable on the Interest Payment Date in such principal and interest amounts as set forth in **Exhibit A** attached hereto.

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

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

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

Section 4. Redemption.

(a) *Optional Redemption.* Subject to the prior written approval of the Compliance Group, the Loan payments due on or after January 1, 2030 are subject to optional redemption, in whole or in part, by the Governmental Agency prior to their stated maturity, at any time falling on or after January 1, 2029 at a redemption price equal to 100% of the principal amount of the Loan payments called for redemption, plus unpaid interest accrued to the date of redemption.

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

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

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

Section 5. Loan Payable Out of Gross Revenues on a Parity with Prior Bonds.

The Loan, the Prior Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be secured by and payable out of the gross revenues of the System.

Section 6. Compliance with Parity Coverage Requirements of the Prior Bond Legislation.

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

Section 7. Flow of Funds.

All proceedings preliminary to and in connection with the issuance of the Prior Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the Prior Bonds; for the operation of said System on a revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; and for the enforcement and payment of the Prior Bonds; and all other covenants for the benefit of the bondholders set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Bonds, the same as if such provisions and proceedings were repeated in full herein; provided, further, that, hereafter, the income and revenues of the System shall be collected, segregated, accounted for, and distributed as follows:

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

B. Sinking Fund. There shall be set aside and transferred on or before the 20th day of each month from the Revenue Fund, as a first charge thereon, and deposited in the Sinking Fund sums sufficient to pay when due the principal and interest requirements on the Loan and the Prior Bonds. Specifically, there shall be paid into the Sinking Fund on or before the 20th day of each month, on account of the Loan and the Prior Bonds, not less than the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Loan and the Prior Bonds, plus

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

In the event additional Parity Bonds are issued pursuant to the conditions and restrictions hereinafter prescribed, the monthly deposits to the Sinking Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

If for any reason there should be a failure to pay into the Sinking Fund the full amounts above stipulated, then an amount equivalent to such deficiency shall be set apart and paid into the Sinking Fund from the first available income and revenues of the System, subject to the aforesaid priorities.

No further payments need to be made into the Sinking Fund if and when the amount held therein and in any other available fund is at least equal to the amount required to retire all Loan and the Prior Bonds and Parity Bonds and paying all interest that will accrue thereon.

B. Sinking Fund of 2020. 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 Sinking Fund of 2020 on or before the 20th day of each month, for payment of interest on and principal of the Series 2020 Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Series 2020 Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Series 2020 Bonds maturing on the next succeeding principal payment date.

The Sinking Fund of 2020 is hereby pledged for the payment of the interest and the principal of the Series 2020 Bonds, but subject to the vested rights and priorities of the Prior Bonds.

Pursuant to Section 4.3(b)(iv) of the Indenture, the money and investments in the Principal and Interest Account (as defined in the Indenture) may be returned to the Governmental Agency and applied to the final Loan Payment (as defined in the Indenture) for the Governmental Agency.

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

D. 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 a depreciation fund for application in accordance with the terms of this Assistance Agreement or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

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

Section 8. Disposition of Proceeds of the Loan; Governmental Agency Account.

Upon (i) the execution of this Assistance Agreement, (ii) the delivery of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted in the Program, and (iv) upon receipt by the Governmental Agency of the proceeds of the Loan, the proceeds shall be applied as follows:

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

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

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "McCreary County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and such amount on deposit in said Governmental Agency Account shall be paid as follows:

(1) to the Rural Development (the "RD") of the Department of Agriculture of the United States of America, the holder of the Refunded Bonds, as may be required:

(A) To pay the interest on the Series 2005 Water Bonds, the Series 2005 Sewer Bonds, the Series 2008 New Liberty Bonds, the Series 2008 Cumberland Falls Bonds to and including September 25, 2020; and

(B) To redeem on September 25, 2020 at a price equal to 100% of principal amount the Series 2005 Water Bonds, the Series 2005 Sewer Bonds, the Series 2008 New Liberty Bonds, the Series 2008 Cumberland Falls Bonds that as of that date have not been redeemed, retired or otherwise paid, thereby defeasing the pledge of revenues and the property securing said bonds.

(2) to United Cumberland Bank the holder of the United Cumberland Bank Loan, as may be required:

(A) To pay the interest on the United Cumberland Bank Loan to and including September 23, 2020; and

(B) To redeem on September 23, 2020 at a price equal to 100% of principal amount the United Cumberland Bank Loan that as of that date has not been redeemed, retired or otherwise paid, thereby defeasing the pledge of revenues and the property securing the United Cumberland Bank Loan.

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

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

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

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

Section 9. Arbitrage Limitations.

(a) The Governmental Agency covenants that neither the proceeds of the Loan, nor “Non-Exempt Revenues” of the System, as defined below, will be invested in investments that will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Loan, if such investment would cause such Loan to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever

extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Loan to be treated as “arbitrage bonds.”

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

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

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

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

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

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

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

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

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

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

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

Prior to or at the time of delivery of the Loan, the Governmental Agency Chief Executive and/or the Governmental Agency Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Loan, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Loan will be exempt from all federal income taxes and that the Loan will not constitute or be treated as arbitrage bonds.

Section 10. Parity Bonds.

The lien and security of and for any bonds or obligations hereafter issued that are payable from the income and revenues of the System, shall, except as set out herein, be subject to the priority of the Prior Bonds and the Loan as may from time to time be outstanding; provided the Governmental Agency has in said Prior Bond Legislation reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the Prior Bonds and with the Loan, but only under the conditions specified in the Prior Bond Legislation, which conditions are hereinafter repeated, taking into account the issuance of the Loan.

No other bonds or other obligations shall be issued by the Governmental Agency and made payable from the revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the Governmental Agency hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the Loan, and heretofore issued and outstanding parity bonds, for the following purposes and subject to the following conditions and restrictions:

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

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

(ii) the Governmental Agency is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;

(iii) the annual net revenues, defined as gross revenues less Current Expenses of the System for the fiscal year next preceding the issuance of additional parity bonds, are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all bonds then outstanding and payable from the revenues of the System. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, payments into a depreciation fund for extensions, improvements and extraordinary repairs and maintenance, and payments into a sinking fund and a debt service reserve;

(iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding bonds payable from the revenues of the System and on the additional bonds to be issued. Future net revenue estimates shall be furnished by a recognized independent Consulting Engineer and shall be forecast over a period not exceeding ten (10) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) and this subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the Outstanding Bonds and parity bonds.

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

(i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7 hereof to reflect the annual debt service on the additional bonds; and

(ii) adjust and increase appropriately the monthly amount to be deposited into a depreciation fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds.

(C) The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds or obligations payable from the revenues of the System on a basis of equality and parity with the Loan, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the Loan and parity bonds herein authorized or permitted to be issued. The Governmental Agency expressly reserves

the right to issue the Loan or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the Loan and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the Loan and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the Loan, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Assistance Agreement, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

Section 11. Rates and Charges for Services of the System.

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

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (defined in the previous Section) 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 Outstanding Bonds, calculated in the manner specified in the previous Section.

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

an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 12. All Obligations of this Loan Are Equal.

The obligations authorized and permitted to be issued hereunder, and from time to time outstanding, shall not be entitled to priority one over the other in the application of the income and revenues of the System regardless of the time or times of their issuance, it being the intention that there shall be no priority among the obligations authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

Section 13. Defeasance and/or Refunding of the Loan.

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

Section 14. Contractual Nature of Assistance Agreement.

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

Section 15. Appointment and Duties of Trustee.

The Trustee is hereby designated as the bond registrar and paying agent with respect to the Loan.

Its duties as Trustee shall be as follows:

- (a) To register the Loan in the name of the Issuer;
- (b) To cancel and destroy (or remit to the Governmental Agency for destruction, if so requested by the Governmental Agency) all exchanged, matured, retired and redeemed Loan obligations, and to maintain adequate records relevant thereto;
- (c) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;
- (d) To notify the Issuer of any Loan obligations to be redeemed and to redeem the Loan prior to its stated maturity upon receiving sufficient funds; and
- (e) To supply the Governmental Agency with a written accounting evidencing the payment of interest on and principal of the Loan within thirty (30) days following each respective due date.

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

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

Section 16. Provisions in Conflict Repealed.

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

Section 17. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986.

In order to assure purchasers of the Loan that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the

Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no actions which will violate any of the provisions of the Code, or would cause the Loan to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Loan will be used for any purpose which would cause the interest on the Loan to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Loan.

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

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

Section 18. Insurance.

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

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

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

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

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

Section 19. Event of Default; Remedies.

The following items shall constitute an "Event of Default" on the part of the Governmental Agency:

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

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

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

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

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

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

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

Section 20. Annual Reports.

The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the Fiscal Year ended prior to the Fiscal Year in which this Agreement is executed) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

The annual financial information and operating data, including audited financial statements, will be made available on or before 180 days after the end of each Fiscal Year.

Section 21. Supplemental Assistance Agreement.

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

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

Section 22. No Remedy Exclusive.

No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission

to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 23. Waivers.

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

Section 24. Agreement to Pay Attorneys' Fees and Expenses.

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

Section 25. Signatures of Officers.

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

Section 26. Severability Clause.

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

[Signature Page Follows]

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

KENTUCKY RURAL WATER FINANCE
CORPORATION

By John M. Dix
President

Attest:

By [Signature]
Secretary/Treasurer

MCCREARY COUNTY WATER
DISTRICT

By _____
Chairman

Attest:

By _____
Secretary

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


KENTUCKY RURAL WATER FINANCE
CORPORATION

By _____
President

Attest:

By _____
Secretary/Treasurer

MCCREARY COUNTY WATER
DISTRICT

By  _____
Chairman

Attest:

By  _____
Secretary

EXHIBIT A

Debt Service Schedule

KRWFC Flexible Term Program Series 2020 E
Sinking Fund Payment Schedule

Borrower: McCreary County Water District - refunding
Closing Date: 09/23/20

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
11/20-1/21		4,408.15	4,408.15
2/21-7/21	2,916.67	3,099.48	6,016.15
8/21-1/22	2,916.67	3,099.48	6,016.15
2/22-7/22	2,916.67	2,975.52	5,892.19
8/22-1/23	2,916.67	2,975.52	5,892.19
2/23-7/23	2,916.67	2,851.56	5,768.23
8/23-1/24	2,916.67	2,851.56	5,768.23
2/24-7/24	2,916.67	2,727.61	5,644.27
8/24-1/25	2,916.67	2,727.61	5,644.27
2/25-7/25	3,333.33	2,603.65	5,936.98
8/25-1/26	3,333.33	2,603.65	5,936.98
2/26-7/26	3,333.33	2,461.98	5,795.31
8/26-1/27	3,333.33	2,461.98	5,795.31
2/27-7/27	3,333.33	2,320.31	5,653.65
8/27-1/28	3,333.33	2,320.31	5,653.65
2/28-7/28	3,750.00	2,178.65	5,928.65
8/28-1/29	3,750.00	2,178.65	5,928.65
2/29-7/29	3,750.00	2,019.27	5,769.27
8/29-1/30	3,750.00	2,019.27	5,769.27
2/30-7/30	3,750.00	1,859.90	5,609.90
8/30-2/31	3,750.00	1,859.90	5,609.90
2/31-7/31	4,166.67	1,738.02	5,904.69
8/31-1/32	4,166.67	1,738.02	5,904.69
2/32-7/32	4,166.67	1,602.61	5,769.27
8/32-1/33	4,166.67	1,602.61	5,769.27
2/33-7/33	4,166.67	1,467.19	5,633.86
8/33-1/34	4,166.67	1,467.19	5,633.86
2/34-7/34	4,166.67	1,373.44	5,540.11
8/34-1/35	4,166.67	1,373.44	5,540.11
2/35-7/35	4,583.33	1,279.69	5,863.02
8/35-1/36	4,583.33	1,279.69	5,863.02
2/36-7/36	4,583.33	1,176.56	5,759.90
8/36-1/37	4,583.33	1,176.56	5,759.90
2/37-7/37	4,583.33	1,073.44	5,656.77
8/37-1/37	4,583.33	1,073.44	5,656.77
2/38-7/38	4,583.33	964.58	5,547.92
8/38-1/39	4,583.33	964.58	5,547.92
2/39-7/39	4,583.33	855.73	5,439.06
8/39-1/40	4,583.33	855.73	5,439.06
2/40-7/40	5,000.00	746.88	5,746.88
8/40-1/41	5,000.00	746.88	5,746.88
2/41-7/41	5,000.00	615.63	5,615.63
8/41-1/42	5,000.00	615.63	5,615.63
2/42-7/42	5,000.00	484.38	5,484.38
8/42-1/43	5,000.00	484.38	5,484.38
2/43-7/43	5,416.67	353.13	5,769.79
8/43-1/44	5,416.67	353.13	5,769.79
2/44-7/44	5,416.67	210.94	5,627.61
8/44-1/45	5,416.67	210.94	5,627.61
2/45-7/45	833.33	68.75	902.08
8/45-1/46	833.33	68.75	902.08
2/46-7/46	833.33	45.83	879.17
8/46-1/47	833.33	45.83	879.17
2/47-7/47	833.33	22.92	856.25
8/47-1/48	833.33	22.92	856.25
2/48-7/48	-	-	-
	<u>1,210,000.00</u>	<u>483,355.88</u>	<u>1,688,947.73</u>

EXHIBIT G-6

BOND RESOLUTION

MCCREARY COUNTY WATER DISTRICT

AUTHORIZING

MCCREARY COUNTY WATER DISTRICT

WATER SYSTEM REVENUE BONDS, SERIES 2012

(WATER TREATMENT PLANT NO. 1 PROJECT)

IN THE PRINCIPAL AMOUNT OF

\$1,935,000

CONSISTING OF

\$1,300,000 OF SERIES A BONDS

AND

\$635,000 OF SERIES B BONDS

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BOND RESOLUTION - WATER TREATMENT PLANT NO. 1 PROJECT

RESOLUTION OF THE MCCREARY COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,935,000 PRINCIPAL AMOUNT OF MCCREARY COUNTY WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2012, CONSISTING OF \$1,300,000 OF SERIES A BONDS AND \$635,000 OF SERIES B BONDS FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATER SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the water system (the "System") of the McCreary 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 \$1,935,000, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds (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 Monarch Engineering, 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 subject to the priority of the Prior 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 \$770,000, to provide the total cost of such construction,

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

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

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

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

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

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

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

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds, the 2007 Bonds, and the Parity Bonds.

"Bonds of 1993" or "Series 1993 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series of 1993, dated June 21, 1994, in the original authorized principal amount of \$794,000.

"Bonds of 1997" or "Series 1997 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series of 1997, dated February 13, 1998, in the original authorized principal amount of \$390,000.

"Bonds of 2001" or "Series 2001 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series of 2001, dated February 6, 2002, in the original authorized principal amount of \$2,500,000.

"Bonds of 2005" or "Series 2005 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$750,000.

"Bonds of 2008 - New Liberty" or "Series 2008 New Liberty Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008, in the original authorized principal amount of \$325,000.

"Bonds of 2008 - Cumberland Falls" or "Series 2008 Cumberland Falls Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008, in the original authorized principal amount of \$150,000.

"Bond Resolution of 1993" or *"1993 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1993.

"Bond Resolution of 1997" or *"1997 Bond Resolution"* refer to the Resolution authorizing the Bonds of 1997.

"Bond Resolution of 2001" or *"2001 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2001.

"Bond Resolution of 2004" or *"2004 Bond Resolution"* refer to the Resolution authorizing the KRWFC Loan.

"Bond Resolution of 2005" or *"2005 Bond Resolution"* refer to the Resolution authorizing the Bonds of 2005.

"Bond Resolution of 2008 - New Liberty" or *"2008 New Liberty Bond Resolution"* refer to the Resolution authorizing the Bonds of 2008 - New Liberty.

"Bond Resolution of 2008 - Cumberland Falls" or *"2008 Cumberland Falls Bond Resolution"* refer to the Resolution authorizing the Bonds of 2008 - Cumberland Falls.

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

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

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

"Current Bonds" refers to the \$1,935,000 of McCreary County Water District Water System Revenue Bonds, Series 2012 (Water Treatment Plant No. 1 Project), consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the McCreary County Water District Water System Sinking Fund of 2008, described in Section 402 of this Resolution.

"Debt Reserve Fund" refers to the McCreary County Water District Water System Debt Reserve Fund, described in Section 402 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is Bank of McCreary County, Whitley City, Kentucky, or its successor.

"District" refers to the McCreary County Water District.

"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 Monarch Engineering, 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.

"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 Current Sinking Fund, the Prior Sinking Fund, the Debt Reserve Fund and the Operation and Maintenance Fund.

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

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

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of water 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 Loan" refers to the loan to the District from the Kentucky Infrastructure Authority, dated January 1, 2004, in the principal amount of \$1,725,714.

"KRWFC Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated March 24, 2004, in the principal amount of \$2,050,000.

"Local Counsel" refers to Tim Lavender, Esq., Whitley City, 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 McCreary County Water District Water System 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 1993 Bonds, the Series 1997 Bonds, the Series 2001 Bonds, the Series 2005 Bonds, the KIA Loan, the KRWFC Loan.

"Prior Bond Resolution" refers collectively to the 1993 Bond Resolution, the 1997 Bond Resolution, the 2001 Bond Resolution, the 2004 Bond Resolution, and the 2005 Bond Resolution.

"Prior Sinking Fund" refers to the McCreary County Water District Water System Revenue Bond and Interest Sinking Fund, described in Section 401 of this 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 McCreary County Water District Water System Revenue Fund, described in Section 401 of this Resolution.

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

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$2,705,000. 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 \$1,935,000 of Current Bonds, based on the following calculation:

Total cost of Project	\$2,705,000
Less:	
RD Grant	<u>\$770,000</u>
Total Non-Bond Funds:	<u>(770,000)</u>
Balance to be financed by Current Bonds	\$1,935,000

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 \$1,935,000 principal amount of McCreary County Water District Water System Revenue Bonds, Series 2012, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds.

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 April 1 and October 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 April 1 or October 1, as the case may be. Principal of the Current Bonds shall be payable on April 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 Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable out of the gross revenues of the System, on a parity with the Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls Bonds, subject to the priority of the Prior Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to April 1, 2022, shall not be subject to prepayment. Principal maturities falling due on and after April 1, 2022, shall be subject to prepayment by the District on any date falling on and after April 1, 2021, 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 \$466,000 (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 \$466,000, 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 "McCreary County Water District Water System 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 Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$17,000) 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 Current Sinking Fund.

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

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

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under 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 Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Debt Reserve Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District 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 \$1,935,000 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 \$1,935,000. 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 \$1,935,000 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) McCreary County Water District Water System Revenue Fund
- (b) McCreary County Water District Water System Revenue Bond and Interest Sinking Fund
- (c) McCreary County Water District Water System Sinking Fund of 2008
- (d) McCreary County Water District Water System Debt Reserve Fund
- (e) McCreary County Water District Water System Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding. The District shall have the right to designate a different Depository Bank at any time.

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

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

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

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

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

C. Current Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at \$17,000) 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 Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, the Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls 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, the Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds, the Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls Bonds maturing on the next succeeding April 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds, the Series 2008 New Liberty Bonds and the Series 2008 Cumberland Falls Bonds, but subject to the vested rights and priorities of the Prior Bonds.

D. Debt Reserve 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 \$660 each month which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$79,200, which amount shall be maintained, and when necessary, restored to said sum of \$79,200, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

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

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

Moneys in the Debt Reserve Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the 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 Debt Reserve 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 Debt Reserve 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 Debt Reserve Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

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

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

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

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

Section 403. Current Bonds on a Parity with Series 2008 New Liberty Bonds and Series 2008 Cumberland Falls Bonds, Subject to the 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 RD to the effect that RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Series 2008 New Liberty Bonds and Series 2008 Cumberland Falls Bonds, all of which are owned by RD, together with (ii) a certification signed by RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Series 2008 New Liberty Bonds and Series 2008 Cumberland Falls Bonds held by RD, evidencing the agreement of RD as the then Owner of the Series 2008 New Liberty Bonds and Series 2008 Cumberland Falls Bonds to the issuance of the Current Bonds so as to rank on a parity with the Series 2008 New Liberty Bonds and Series 2008 Cumberland Falls Bonds, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$1,935,000 of McCreary County Water District Water System Revenue Bonds, Series 2012 (Water Treatment Plant No. 1 Project) 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 Series 2008 New Liberty Bonds and Series 2008 Cumberland Falls Bonds from the income and revenues of the System, subject to the vested rights and priorities of the Prior Bonds.

ARTICLE 5. COVENANTS OF DISTRICT

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

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

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than 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 water systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 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 water facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

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

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

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

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

(c) Make such Parity Bonds payable as to principal on April 1 of each year in which principal falls due and payable as to interest on April 1 and October 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 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 \$770,000 (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 water facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such water lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such water facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed

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

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

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.

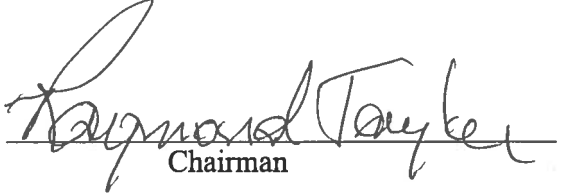
Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

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 February 28, 2012.

MCCREARY COUNTY WATER DISTRICT


Chairman

(Seal of District)

Attest:

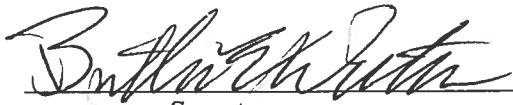

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District of McCreary County, Kentucky, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on February 28, 2012, 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 February 28, 2012.


Secretary

(Seal of District)

EXHIBIT A-1

Schedule of Principal Payments on Series A Bonds

Payment Due <u>April 1</u>	Principal <u>Payment</u>	Payment Due <u>April 1</u>	Principal <u>Payment</u>
2015	\$21,000	2034	\$33,500
2016	21,500	2035	34,500
2017	22,000	2036	35,000
2018	22,500	2037	36,000
2019	23,000	2038	37,000
2020	23,500	2039	38,000
2021	24,000	2040	39,000
2022	25,000	2041	40,000
2023	25,500	2042	41,000
2024	26,000	2043	42,000
2025	27,000	2044	43,000
2026	27,500	2045	44,000
2027	28,000	2046	45,000
2028	29,000	2047	46,000
2029	29,500	2048	47,500
2030	30,500	2049	48,500
2031	31,000	2050	49,500
2032	32,000	2051	51,000
2033	32,500	2052	48,500

EXHIBIT A-2

Schedule of Principal Payments on Series B Bonds

Payment Due <u>April 1</u>	Principal <u>Payment</u>	Payment Due <u>April 1</u>	Principal <u>Payment</u>
2015	\$11,000	2034	\$16,500
2016	11,000	2035	17,000
2017	11,000	2036	17,000
2018	11,500	2037	17,500
2019	12,000	2038	18,000
2020	12,000	2039	18,500
2021	12,500	2040	19,000
2022	12,500	2041	19,000
2023	13,000	2042	19,500
2024	13,000	2043	20,000
2025	13,500	2044	20,500
2026	13,500	2045	21,000
2027	14,000	2046	21,500
2028	14,500	2047	22,000
2029	14,500	2048	22,500
2030	15,000	2049	23,000
2031	15,500	2050	23,500
2032	15,500	2051	24,000
2033	16,000	2052	23,500

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
MCCREARY COUNTY WATER DISTRICT
WATER SYSTEM REVENUE BONDS, SERIES 2012 ____
(WATER TREATMENT PLANT NO. 1 PROJECT)

No. __R-____ Interest Rate: ____ % \$ _____

KNOW ALL PERSONS BY THESE PRESENTS:

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

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

_____ DOLLARS (\$ _____),

on the first day of April, 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 April and October in each year, beginning with the first April or October 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 Series ____ Bond is issued by the District as part of an issue in the aggregate principal amount of \$1,935,000, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing water system of the District (said existing water system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Series __ Bond ranks on a parity with the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008 (the "2008 New Liberty Bonds"), authorized by a Resolution adopted by the Commission of the District (the "2008 New Liberty Bond Resolution") and the McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008 (the "2008 Cumberland Falls Bonds"), authorized by a Resolution adopted by the Commission of the District (the "2008 Cumberland Falls Bond Resolution"), and is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) McCreary County Water District Water System Revenue Bonds, Series of 1993, dated June 21, 1994 (the "1993 Bonds"), authorized by a Resolution adopted by the Commission of the District (the "1993 Bond Resolution"); (ii) McCreary County Water District Water System Revenue Bonds, Series of 1997, dated February 13, 1998 (the "1997 Bonds"), authorized by a Resolution adopted by the Commission of the District (the "1997 Bond Resolution"); (iii) McCreary County Water District Water System Revenue Bonds, Series of 2001, dated February 6, 2002 (the "2001 Bonds"), authorized by a Resolution adopted by the Commission of the District (the "2001 Bond Resolution"); (iv) Kentucky Infrastructure Authority Loan (the "KIA Loan"), dated January 1, 2004 (the "KIA Loan"); (v) Kentucky Rural Water Finance Corporation Flexible Term Loan (the "KRWFC Loan"), dated March 24, 2004, authorized by a Resolution adopted by the Commission of the District (the "2004 Bond Resolution"); and (vi) McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005 (the "2005 Bonds"), authorized by a Resolution adopted by the Commission of the District (the "2005 Bond Resolution") [hereinafter the 1993 Bonds, 1997 Bonds, 2001 Bonds, KIA Loan, KRWFC Loan and 2005 Bonds shall be collectively referred to as the "Prior Bonds", and the 1993 Bond Resolution, the 1997 Bond Resolution, the 2001 Bond Resolution, the 2004 Bond Resolution, and the 2005 Bond Resolution and 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 gross revenues to be derived from the operation of the System, after providing for the requirements of the Prior Bonds and the requirements of the Prior Bond Resolution.

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from

revenues which shall be set aside in a fund for that purpose and identified as the "McCreary County Water District Water System Sinking Fund of 2008", described in the Current Bond Resolution.

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

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after April 1, 2021, 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 McCreary 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

MCCREARY COUNTY WATER DISTRICT
McCreary County, Kentucky

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

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: McCreary County Water District Water System Revenue Bonds, Series 2012, in the principal amount of \$1,935,000 (Water Treatment Plant No. 1 Project)

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

McCreary County Water District

Monarch Engineering, Inc.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

SUPPLEMENTAL BOND RESOLUTION

RESOLUTION OF THE McCREARY COUNTY WATER DISTRICT SUPPLEMENTING A RESOLUTION PREVIOUSLY ADOPTED BY SAID DISTRICT ON FEBRUARY 28, 2012 RELATING TO THE AUTHORIZATION, ISSUANCE AND SALE OF \$1,935,000 PRINCIPAL AMOUNT OF MCCREARY COUNTY WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2012, CONSISTING OF \$1,300,000 OF SERIES A BONDS AND \$635,000 OF SERIES B BONDS; SETTING FORTH ADDITIONAL TERMS AND CONDITIONS IN CONNECTION WITH THE ISSUANCE OF SAID BONDS.

WHEREAS, the McCreary County Water District (the "District") is in the process of constructing certain extensions, additions and improvements (the "Project") to the water system of the District, said Project being financed, in part, through the issuance of \$1,935,000 of McCreary County Water District Waterworks Revenue Bonds, Series 2012, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds (collectively, the "2012 Bonds"), authorized pursuant to a Resolution adopted by the Board of Commissioners of the District on February 28, 2012 (the "2012 Bond Resolution"), and

WHEREAS, the 2012 Bonds were sold by competitive sale on March 29, 2012 on a tax-exempt basis to the U.S. Department of Agriculture, acting through Rural Development ("RD"), and

WHEREAS, the District borrowed \$4,800,000 from the Kentucky Rural Water Finance Corporation on May 30, 2012 (the "KRWFC Loan") for the purpose of refunding certain outstanding water and sewer obligations of the District, including, but not limited to, (i) McCreary County Water District Water System Revenue Bonds, Series of 1993, dated June 21, 1994 (the "1993 Bonds"), authorized by a Resolution adopted by the Commission of the District (the "1993 Bond Resolution"); (ii) McCreary County Water District Water System Revenue Bonds, Series of 1997, dated February 13, 1998 (the "1997 Bonds"), authorized by a Resolution adopted by the Commission of the District (the "1997 Bond Resolution"); and (iii) McCreary County Water District Water System Revenue Bonds, Series of 2001, dated February 6, 2002 (the "2001 Bonds"), authorized by a Resolution adopted by the Commission of the District (the "2001 Bond Resolution") [hereinafter, the 1993 Bonds, the 1997 Bonds and the 2001 Bonds shall be collectively referred to as the "Refunded RD Bonds" and the 1993 Bond Resolution, the 1997 Bond Resolution and the 2001 Bond Resolution shall be collectively referred to as the "Refunded RD Bond Resolution"], and

WHEREAS, it is necessary to amend and/or supplement certain provisions of the 2012 Bond Resolution due to the issuance of the KRWFC Loan after the adoption of said 2012 Bond Resolution, and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE McCREARY COUNTY WATER DISTRICT AS FOLLOWS:

1. **References to Refunded RD Bonds and Refunded RD Bond Resolution.** All references to the Refunded RD Bonds and the Refunded RD Bond Resolution contained in the 2012 Bond Resolution are hereby deleted.

2. **Section 101. Definitions.** Section 101 of the 2012 Bond Resolution is hereby amended to revise the following definitions which shall read as follows: (a) "KRWFC Loan" collectively refers to (i) the loan from the Kentucky Rural Water Finance Corporation to the District, dated May 30, 2012, in the principal amount of \$4,800,000; and (ii) the loan from the Kentucky Rural Water Finance Corporation to the District, dated March 24, 2004, in the principal amount of \$2,050,000; and (b) "Prior Bonds" refers collectively to the Series 2005 Bonds, the Series 2008 New Liberty Bonds, the Series 2008 Cumberland Falls Bonds, the KIA Loan and the KRWFC Loan.

3. **Section 402C. Current Sinking Fund.** Section 402C of the 2012 Bond Resolution is hereby amended and shall read as follows: "At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at \$17,000) 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 Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

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

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

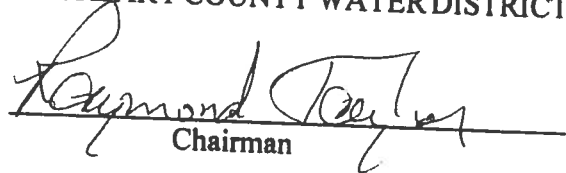
3. **Section 403. Current Bonds on a Parity with Series 2008 New Liberty Bonds and Series 2008 Cumberland Falls Bonds, Subject to the Prior Bonds.** Section 403 of the 2012 Bond Resolution is hereby amended and shall read as follows: "Current Bonds Subject to Priority of Prior Bonds. It is hereby found and declared that the Current Bonds shall be subject to the vested rights and priorities of the outstanding Prior Bonds".

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

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

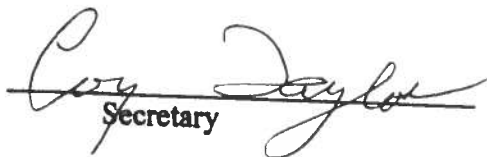
Adopted this February 26, 2013.

McCREARY COUNTY WATER DISTRICT


Chairman

(Seal of District)

Attest:

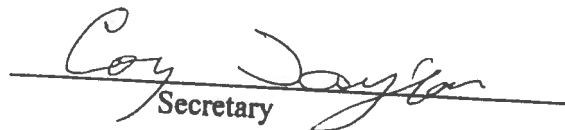

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on February 26, 2013, 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 February 26, 2013.


Secretary

(Seal of District)

EXHIBIT G-7

BOND RESOLUTION

MCCREARY COUNTY WATER DISTRICT

AUTHORIZING

MCCREARY COUNTY WATER DISTRICT

WATER AND SEWER REVENUE BONDS, SERIES 2015

(WTP NO. 1 IMPROVEMENTS AND SEWER PHASE II PROJECT)

IN THE PRINCIPAL AMOUNT OF

\$1,158,000

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BOND RESOLUTION

RESOLUTION OF THE MCCREARY COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,158,000 PRINCIPAL AMOUNT OF MCCREARY COUNTY WATER DISTRICT WATER AND SEWER REVENUE BONDS, SERIES 2015 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATER AND SEWER SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATER AND SEWER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the water and sewer system (the "System") of the McCreary 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 \$1,158,000 (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 Monarch Engineering, 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 subject to the priority of the Prior Bonds, and

WHEREAS, the District has filed an Application with the Kentucky Public Service Commission for the issuance of 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 \$939,000, to provide the total cost of such construction,

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

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

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

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

"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, the 2007 Bonds, and the Parity Bonds.

"Bonds of 2005 - Water" or "Series 2005 Water Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$750,000.

"Bonds of 2005 - Sewer" or "Series 2005 Sewer Bonds" refer to the outstanding McCreary County Water District Sewer System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$290,000.

"Bonds of 2008 - New Liberty" or "Series 2008 New Liberty Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008, in the original authorized principal amount of \$325,000.

"Bonds of 2008 - Cumberland Falls" or "Series 2008 Cumberland Falls Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008, in the original authorized principal amount of \$150,000.

"Bonds of 2012" or "Series 2012 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013, in the original authorized principal amount of \$1,935,000, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds.

"Bond Resolution of 2005 - Water" or *"2005 Water Bond Resolution"* refer to the Resolution authorizing the Series 2005 Water Bonds.

"Bond Resolution of 2005 - Sewer" or *"2005 Sewer Bond Resolution"* refer to the Resolution authorizing the Series 2005 Sewer Bonds.

"Bond Resolution of 2008 - New Liberty" or *"2008 New Liberty Bond Resolution"* refer to the Resolution authorizing the Bonds of 2008 - New Liberty.

"Bond Resolution of 2008 - Cumberland Falls" or *"2008 Cumberland Falls Bond Resolution"* refer to the Resolution authorizing the Bonds of 2008 - Cumberland Falls.

"Bond Resolution of 2012" or *"2012 Bond Resolution"* refer to the Resolution authorizing the Series 2012 Bonds.

"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 McCreary County Water District Water and Sewer 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 \$1,158,000 of McCreary County Water District Water and Sewer Revenue Bonds, Series 2015 (WTP No. 1 Improvements and Sewer Phase II Project) authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the McCreary County Water District Water and Sewer Sinking Fund of 2015, described in Section 402 of this Resolution.

"Debt Reserve Fund" refers to the McCreary County Water District Water and Sewer Debt Reserve Fund, described in Section 402 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is Bank of McCreary County, Whitley City, Kentucky, or its successor.

"District" refers to the McCreary County Water District.

"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 Monarch Engineering, 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.

"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 Current Sinking Fund, the Prior Sinking Fund, the Debt Reserve Fund and the Operation and Maintenance Fund.

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

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

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of water 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 Loan" refers to the loan to the District from the Kentucky Infrastructure Authority, dated January 1, 2004, in the original principal amount of \$1,725,714.

"KRWFC 2012 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated May 30, 2012, in the original principal amount of \$4,800,000.

"KRWFC 2013 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated March 24, 2004, in the original principal amount of \$2,050,000, which loan was reamortized on February 27, 2013 to a revised principal amount of \$1,415,000.

"Local Counsel" refers to Tim Lavender, Esq., Whitley City, 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 McCreary County Water District Water and Sewer 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 2005 Water Bonds, the Series 2005 Sewer Bonds, the Series 2008 New Liberty Bonds, the Series 2008 Cumberland Falls Bonds, the Series 2012 Bonds, the KIA Loan, the KRWFC 2012 Loan and the KRWFC 2013 Loan.

"Prior Bond Resolution" refers collectively to the 2005 Water Bond Resolution, the 2005 Sewer Bond Resolution, the 2008 New Liberty Bond Resolution, the 2008 Cumberland Falls Bond Resolution, the 2012 Bond Resolution and the resolutions authorizing the KIA Loan, the KRWFC 2012 Loan and the KRWFC 2013 Loan.

"Prior Sinking Fund" refers to the McCreary County Water District Water and Sewer Revenue Bond and Interest Sinking Fund, described in Section 401 of this 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 McCreary County Water District Water and Sewer Revenue Fund, described in Section 401 of this Resolution.

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

"System" refers to the existing water and sewer 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 \$2,097,000. 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 \$1,158,000 of Current Bonds, based on the following calculation:

Total cost of Project	\$2,097,000
Less:	
RD Grant	<u>\$939,000</u>
Total Non-Bond Funds:	<u>(939,000)</u>
Balance to be financed by Current Bonds	\$1,158,000

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 \$1,158,000 principal amount of McCreary County Water District Water and Sewer Revenue Bonds, Series 2015.

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 April 1 and October 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 April 1 or October 1, as the case may be. Principal of the Current Bonds shall be payable on April 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 Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions

hereinafter set forth, shall be payable out of the gross revenues of the System, subject to the priority of the Prior Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to April 1, 2025, shall not be subject to prepayment. Principal maturities falling due on and after April 1, 2025, shall be subject to prepayment by the District on any date falling on and after April 1, 2024, 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 \$201,000 (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 \$201,000, 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 "McCreary County Water District Water and Sewer 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 Current 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 Current Sinking Fund.

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

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

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under 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 Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Debt Reserve Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District 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 \$1,158,000 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 \$1,158,000. 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 \$1,158,000 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) McCreary County Water District Water System Revenue Fund
- (b) McCreary County Water District Water System Revenue Bond and Interest Sinking Fund
- (c) McCreary County Water District Water System Sinking Fund of 2008
- (d) McCreary County Water District Water System Debt Reserve Fund
- (e) McCreary County Water District Water System Operation and Maintenance Fund

There is hereby created the McCreary County Water District Water and Sewer Sinking Fund of 2015.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding. The District shall have the right to designate a different Depository Bank at any time.

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

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

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

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

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

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

C. Current Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at \$10,000) 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 Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

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

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

D. Debt Reserve 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 \$450 each month which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$54,000, which amount shall be maintained, and when necessary, restored to said sum of \$54,000, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

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

Moneys in the Debt Reserve Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the 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 Debt Reserve 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 Debt Reserve 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 Debt Reserve Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

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

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

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

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

Section 403. Current Bonds Subject to the Prior Bonds. The Current Bonds shall be secured by and payable on a parity from the income and revenues of the System, subject to the vested rights and priorities of the Prior Bonds.

ARTICLE 5. COVENANTS OF DISTRICT

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

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

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than 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 water systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 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 water facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

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

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

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

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

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

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

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

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

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

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

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

(c) Make such Parity Bonds payable as to principal on April 1 of each year in which principal falls due and payable as to interest on April 1 and October 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 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 \$939,000 (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 water or sewer facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such water lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such water or sewer facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and

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

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

Section 807. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

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

ARTICLE 10. CONCLUDING PROVISIONS

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

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

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

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

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

District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

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

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

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

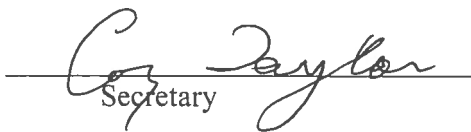
Adopted this February 24, 2015.

MCCREARY COUNTY WATER DISTRICT


Chairman

(Seal of District)

Attest:

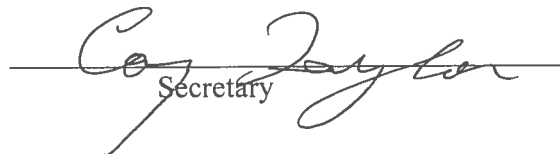

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on February 24, 2015, 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 February 24, 2015.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments on Bonds

<u>Payment Due</u> <u>April 1</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>April 1</u>	<u>Principal</u> <u>Payment</u>
2018	\$16,000	2037	\$29,000
2019	16,500	2038	30,000
2020	17,000	2039	31,000
2021	17,500	2040	32,000
2022	18,000	2041	33,000
2023	18,500	2042	34,000
2024	19,000	2043	35,500
2025	20,000	2044	36,500
2026	20,500	2045	37,500
2027	21,000	2046	39,000
2028	22,000	2047	40,000
2029	22,500	2048	41,500
2030	23,500	2049	43,000
2031	24,000	2050	44,000
2032	25,000	2051	45,500
2033	25,500	2052	47,000
2034	26,500	2053	48,500
2035	27,500	2054	50,000
2036	28,000	2055	52,200

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
MCCREARY COUNTY WATER DISTRICT
WATER AND SEWER REVENUE BONDS, SERIES 2015
(WTP NO. 1 IMPROVEMENTS AND SEWER PHASE II PROJECT)

No. __R-____ Interest Rate: ____ % \$ _____

KNOW ALL PERSONS BY THESE PRESENTS:

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

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

_____ DOLLARS (\$ _____),

on the first day of April, 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 April and October in each year, beginning with the first April or October 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 in the principal amount of \$1,158,000 under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing water and sewer system of the District (said existing water and sewer system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the outstanding (i) McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005 (the "2005 Water Bonds"); (ii) McCreary County Water District Sewer System Revenue Bonds, Series 2005, dated August 31, 2005 (the "2005 Sewer Bonds"); (iii) McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008 (the "2008 New Liberty Bonds"); (iv) McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008 (the "2008 Cumberland Falls Bonds"); (v) Kentucky Infrastructure Authority Loan (the "KIA Loan"), dated January 1, 2004 (the "KIA Loan"); (vi) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated May 30, 2012 (the "2012 KRWFC Loan"); (vii) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated March 24, 2004, said loan being reamortized on February 27, 2013 (the "2013 KRWFC Loan"); and (viii) McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013 (the "2012 Bonds") [hereinafter the 2005 Water Bonds, the 2005 Sewer Bonds, the 2008 New Liberty Bonds, the 2008 Cumberland Falls Bonds, the KIA Loan, the 2012 KRWFC Loan, the 2012 Bonds and the 2013 KRWFC Loan shall be collectively referred to as the "Prior Bonds".

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "McCreary County Water District Water and Sewer Sinking Fund of 2015", described in the Current Bond Resolution.

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

to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after April 1, 2024, 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 McCreary 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

MCCREARY COUNTY WATER DISTRICT

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, in the amount of \$1,158,000 (WTP No. 1 Improvements and Sewer Phase II Project)

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20 ____.

McCreary County Water District

Monarch Engineering, Inc.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

EXHIBIT G-8

BOND RESOLUTION

McCREARY COUNTY WATER DISTRICT

AUTHORIZING

McCREARY COUNTY WATER DISTRICT

WATER AND SEWER REVENUE BONDS, SERIES 2020

(STEARNS/SMITHTOWN PHASE 2 WATER IMPROVEMENTS PROJECT)

IN THE PRINCIPAL AMOUNT OF

\$1,324,000

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BOND RESOLUTION

RESOLUTION OF THE McCREARY COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$1,324,000 PRINCIPAL AMOUNT OF McCREARY COUNTY WATER DISTRICT WATER AND SEWER REVENUE BONDS, SERIES 2020 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATER AND SEWER SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATER AND SEWER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the water and sewer system (the "System") of the McCreary 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 \$1,324,000 (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 Kentucky Engineering Group, PLLC and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued subject to the priority of the Prior Bonds, and

WHEREAS, the District has filed an Application with the Kentucky Public Service Commission for the issuance of a Certificate of Public Convenience and Necessity, authorizing the issuance of the Current Bonds and 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 \$940,400, to provide the total cost of such construction,

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

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

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

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

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

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

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

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

"Bonds" collectively refers to the outstanding Current Bonds, Prior Bonds, the 2007 Bonds, and the Parity Bonds.

"Bonds of 2005 - Water" or "Series 2005 Water Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$750,000.

"Bonds of 2005 - Sewer" or "Series 2005 Sewer Bonds" refer to the outstanding McCreary County Water District Sewer System Revenue Bonds, Series 2005, dated August 31, 2005, in the original authorized principal amount of \$290,000.

"Bonds of 2008 - New Liberty" or "Series 2008 New Liberty Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008, in the original authorized principal amount of \$325,000.

"Bonds of 2008 - Cumberland Falls" or "Series 2008 Cumberland Falls Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008, in the original authorized principal amount of \$150,000.

"Bonds of 2012" or "Series 2012 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013, in the original authorized principal amount of \$1,935,000, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds.

"Bonds of 2015" or *"Series 2015 Bonds"* refer to the outstanding McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, dated February 5, 2016, in the original authorized principal amount of \$1,158,000.

"Bond Resolution of 2005 - Water" or *"2005 Water Bond Resolution"* refer to the Resolution authorizing the Series 2005 Water Bonds.

"Bond Resolution of 2005 - Sewer" or *"2005 Sewer Bond Resolution"* refer to the Resolution authorizing the Series 2005 Sewer Bonds.

"Bond Resolution of 2008 - New Liberty" or *"2008 New Liberty Bond Resolution"* refer to the Resolution authorizing the Bonds of 2008 - New Liberty.

"Bond Resolution of 2008 - Cumberland Falls" or *"2008 Cumberland Falls Bond Resolution"* refer to the Resolution authorizing the Bonds of 2008 - Cumberland Falls.

"Bond Resolution of 2012" or *"2012 Bond Resolution"* refer to the Resolution authorizing the Series 2012 Bonds.

"Bond Resolution of 2015" or *"2015 Bond Resolution"* refer to the Resolution authorizing the Series 2015 Bonds.

"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 McCreary County Water District Water and Sewer 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 \$1,324,000 of McCreary County Water District Water and Sewer Revenue Bonds, Series 2020 (Stearns/Smithtown Phase 2 Water Improvements Project) authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the McCreary County Water District Water and Sewer Sinking Fund of 2020, described in Section 402 of this Resolution.

"Debt Reserve Fund" refers to the McCreary County Water District Water and Sewer Debt Reserve Fund, described in Section 402 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is United Cumberland Bank, Whitley City, Kentucky, or its successor.

"District" refers to the McCreary County Water District.

"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 Current Sinking Fund, the Prior Sinking Fund, the Debt Reserve Fund and the Operation and Maintenance Fund.

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

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

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of water 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 Loan" refers to the loan to the District from the Kentucky Infrastructure Authority, dated January 1, 2004, in the original principal amount of \$1,725,714.

"KRWFC 2012 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated May 30, 2012, in the original principal amount of \$4,800,000.

"KRWFC 2013 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated March 24, 2004, in the original principal amount of \$2,050,000, which loan was reamortized on February 27, 2013 to a revised principal amount of \$1,415,000.

"Local Counsel" refers to Tim Lavender, Esq., Whitley City, 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 McCreary County Water District Water and Sewer 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 2005 Water Bonds, the Series 2005 Sewer Bonds, the Series 2008 New Liberty Bonds, the Series 2008 Cumberland Falls Bonds, the Series 2012 Bonds, the KIA Loan, the KRWFC 2012 Loan, the KRWFC 2013 Loan and the Series 2015 Bonds.

"Prior Bond Resolution" refers collectively to the 2005 Water Bond Resolution, the 2005 Sewer Bond Resolution, the 2008 New Liberty Bond Resolution, the 2008 Cumberland Falls Bond Resolution, the 2012 Bond Resolution, the 2015 Bond Resolution and the resolutions authorizing the KIA Loan, the KRWFC 2012 Loan and the KRWFC 2013 Loan.

"Prior Sinking Fund" refers to the McCreary County Water District Water and Sewer Revenue Bond and Interest Sinking Fund, described in Section 401 of this 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 United States Department of Agriculture, acting through Rural Development.

"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 McCreary County Water District Water and Sewer Revenue Fund, described in Section 401 of this Resolution.

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

"System" refers to the existing water and sewer 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 \$2,264,400. 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 \$1,324,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$2,264,400
Less:		
ARC Grant	\$500,000	
RD Grant	<u>440,400</u>	
Total Non-Bond Funds:		<u>(940,400)</u>
Balance to be financed by Current Bonds		\$1,324,000

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 \$1,324,000 principal amount of McCreary County Water District Water and Sewer Revenue Bonds, Series 2020.

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

Interest on the Current Bonds shall be payable semiannually on April 1 and October 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 April 1 or October 1, as the case may be. Principal of the Current Bonds shall be payable on April 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 Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable out of the gross revenues of the System, subject to the priority of the Prior Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to April 1, 2029, shall not be subject to prepayment. Principal maturities falling due on and after April 1, 2029, shall be subject to prepayment by the District on any date falling on and after April 1, 2028, at par plus accrued interest, without any prepayment penalty.

So long as the registered owner of the Current Bonds is the United States of America, or any agency thereof, the entire principal amount of the Current Bonds, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on the Current Bonds shall, after payment of interest, be applied to the installments last to become due hereunder and shall not affect the obligation of the District to pay the remaining installments in accordance with the Current Bonds.

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$245,500 (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 \$245,500, 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 "McCreary County Water District Water and Sewer 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 Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$45,000) 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 Current Sinking Fund.

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

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

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under 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 Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Debt Reserve Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District 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 \$1,324,000 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 \$1,324,000. 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 \$1,324,000 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) McCreary County Water District Water System Revenue Fund
- (b) McCreary County Water District Water System Revenue Bond and Interest Sinking Fund
- (c) McCreary County Water District Water System Sinking Fund of 2008
- (d) McCreary County Water District Water System Debt Reserve Fund
- (e) McCreary County Water District Water System Operation and Maintenance Fund

There is hereby created the McCreary County Water District Water and Sewer Sinking Fund of 2020.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding. The District shall have the right to designate a different Depository Bank at any time.

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

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

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

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

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

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

C. Current Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount sufficient (currently estimated at \$45,000) 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 Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

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

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

D. Debt Reserve 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 \$435 each month which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$52,200, which amount shall be maintained, and when necessary, restored to said sum of \$52,200, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

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

Moneys in the Debt Reserve Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the 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 Debt Reserve 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 Debt Reserve 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 Debt Reserve Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

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

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

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

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

Section 403. Current Bonds Subject to the Prior Bonds. The Current Bonds shall be secured by and payable on a parity from the income and revenues of the System, subject to the vested rights and priorities of the Prior Bonds.

ARTICLE 5. COVENANTS OF DISTRICT

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

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

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than 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 water systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 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. Civil Rights and Equal Opportunity. The District covenants and agrees to comply with all applicable Federal laws and statutes, including but not limited to:

(a) *Section 504 of the Rehabilitation Act of 1973.* The District acknowledges that under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RHS financial assistance.

(b) *Civil Rights Act of 1964.* The District acknowledges that it is subject to, and its Facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C.

2000d *et seq.*) and Subpart E of Part 1901 of said Title VI, particularly as it relates to conducting and reporting of compliance reviews.

(c) *Americans with Disabilities Act (ADA) of 1990.* The District acknowledges that the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 *et seq.*) [the "ADA Act"] prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the ADA Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the ADA Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

(d) *Age Discrimination Act of 1975.* The District acknowledges that the Age Discrimination Act of 1975 (42 U.S.C. 6101 *et seq.*) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

(e) *Limited English Proficiency (LEP) under Executive Order 13166.* The District acknowledges that LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the grounds of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write or understand English. These individuals may be entitled to language assistance, free of charge. The District agrees to take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to RHS programs, services and information the District provides. These protections are pursuant to Executive Order 13166 entitled "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005 "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.

Section 507. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Make such Parity Bonds payable as to principal on April 1 of each year in which principal falls due and payable as to interest on April 1 and October 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 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 \$440,400 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of ARC Grant Agreement. The Appalachian Regional Commission (the "ARC") has agreed to make a grant to the District in the amount of \$500,000 (the "ARC Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the ARC has requested the District to approve, accept and execute a certain ARC Grant Agreement (the "ARC Grant Agreement"), setting out the terms and conditions upon which said ARC Grant will be made. Said ARC Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said ARC Grant Agreement on behalf of the District. The Chairman and the Secretary are also authorized on behalf of the District to accept any and all other ARC Grants offered to the District in connection with the Project and to execute any and all ARC Grant Agreements and any other documents as may be requested by the ARC in connection with ARC Grants which have been and/or which may hereafter be approved for such Project.

Section 806. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

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

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

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

Section 808. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a written authorization signed by the Purchaser and the Chairman 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 July 30, 20~~20~~¹⁹.

McCREARY COUNTY WATER DISTRICT


Chairman

(Seal of District)

Attest:


Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on July 30, 2020, as shown by the official records of said District in my custody and under my control. 19

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this July 30, 2020. 19


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments on Bonds

Payment Due <u>April 1</u>	Principal <u>Payment</u>	Payment Due <u>April 1</u>	Principal <u>Payment</u>
2021	\$20,000	2041	\$32,500
2022	20,500	2042	33,000
2023	21,000	2043	34,000
2024	21,500	2044	34,500
2025	22,000	2045	35,500
2026	22,500	2046	36,500
2027	23,000	2047	37,000
2028	24,000	2048	38,000
2029	24,500	2049	39,000
2030	25,000	2050	40,000
2031	25,500	2051	41,000
2032	26,000	2052	42,000
2033	26,500	2053	43,000
2034	27,500	2054	44,000
2035	28,000	2055	45,000
2036	28,500	2056	46,000
2037	29,500	2057	47,000
2038	30,000	2058	48,000
2039	31,000	2059	49,500
2040	31,500	2060	50,500

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
McCREARY COUNTY WATER DISTRICT
WATER AND SEWER REVENUE BONDS, SERIES 2020
(STEARNS/SMITHTOWN PHASE 2 WATER IMPROVEMENTS PROJECT)

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

KNOW ALL PERSONS BY THESE PRESENTS:

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

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

_____ DOLLARS (\$ _____),

on the first day of April, 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 April and October in each year, beginning with the first April or October 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 in the principal amount of \$1,324,000 under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing water and sewer system of the District (said existing water and sewer system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the outstanding (i) McCreary County Water District Water System Revenue Bonds, Series 2005, dated August 31, 2005 (the "2005 Water Bonds"); (ii) McCreary County Water District Sewer System Revenue Bonds, Series 2005, dated August 31, 2005 (the "2005 Sewer Bonds"); (iii) McCreary County Water District Water System Revenue Bonds, Series 2008 (New Liberty Project), dated October 29, 2008 (the "2008 New Liberty Bonds"); (iv) McCreary County Water District Water System Revenue Bonds, Series 2008 (Cumberland Falls Project), dated October 29, 2008 (the "2008 Cumberland Falls Bonds"); (v) Kentucky Infrastructure Authority Loan (the "KIA Loan"), dated January 1, 2004 (the "KIA Loan"); (vi) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated May 30, 2012 (the "2012 KRWFC Loan"); (vii) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated March 24, 2004, said loan being reamortized on February 27, 2013 (the "2013 KRWFC Loan"); (viii) McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013 (the "2012 Bonds"); and (ix) McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, dated February 5, 2016 (the "2015 Bonds") [hereinafter the 2005 Water Bonds, the 2005 Sewer Bonds, the 2008 New Liberty Bonds, the 2008 Cumberland Falls Bonds, the KIA Loan, the 2012 KRWFC Loan, the 2012 Bonds, the 2013 KRWFC Loan and the 2015 Bonds shall be collectively referred to as the "Prior Bonds".

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "McCreary County Water District Water and Sewer Sinking Fund of 2020", described in the Current Bond Resolution.

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

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

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after April 1, 2028, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on this Bond shall, after payment of interest, be applied to the installments last to become due hereunder and shall not affect the obligation of the District to pay the remaining installments in accordance with this Bond.

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

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

IN WITNESS WHEREOF said McCreary 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

McCREARY COUNTY WATER DISTRICT

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: McCreary County Water District Water and Sewer Revenue Bonds, Series 2020, in the amount of \$1,324,000

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

McCreary County Water District

Kentucky Engineering Group, PLLC

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

EXHIBIT G-9

BOND RESOLUTION

McCREARY COUNTY WATER DISTRICT

AUTHORIZING

McCREARY COUNTY WATER DISTRICT

WATER SYSTEM REVENUE BONDS, SERIES 2021

(MARSH CREEK WATERLINE REPLACEMENT PROJECT)

IN THE PRINCIPAL AMOUNT OF

\$542,000

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BOND RESOLUTION

RESOLUTION OF THE McCREARY COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$542,000 PRINCIPAL AMOUNT OF McCREARY COUNTY WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2021 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATER SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATER AND SEWER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the water system (the "System") of the McCreary 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 \$542,000 (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 Eclipse Engineers, PLLC and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued subject to the priority of the Prior Bonds, and

WHEREAS, the District has filed an Application with the Kentucky Public Service Commission for the issuance of a Certificate of Public Convenience and Necessity, authorizing the issuance of the Current Bonds and 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 \$902,710, to provide the total cost of such construction,

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

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

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

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

"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, the 2007 Bonds, and the Parity Bonds.

"Bonds of 2012" or "Series 2012 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013, in the original authorized principal amount of \$1,935,000, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds.

"Bonds of 2015" or "Series 2015 Bonds" refer to the outstanding McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, dated February 5, 2016, in the original authorized principal amount of \$1,158,000.

"Bonds of 2020" or "Series 2020 Bonds" refer to the outstanding McCreary County Water District Water and Sewer Revenue Bonds, Series 2020, dated May 28, 2020, in the original authorized principal amount of \$1,324,000.

"Bond Resolution of 2012" or "2012 Bond Resolution" refer to the Resolution authorizing the Series 2012 Bonds.

"Bond Resolution of 2015" or "2015 Bond Resolution" refer to the Resolution authorizing the Series 2015 Bonds.

"Bond Resolution of 2020" or "2020 Bond Resolution" refer to the Resolution authorizing the Series 2020 Bonds.

"CDBG Grant" refers to the Community Development Block Grant described in Section 805 of this Resolution.

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

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

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

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

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

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

"Current Bonds" refers to the \$542,000 of McCreary County Water District Water System Revenue Bonds, Series 2021 (Marsh Creek Waterline Replacement Project) authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the McCreary County Water District Water System Sinking Fund of 2021 created in Section 402 of this Resolution.

"Debt Reserve Fund" refers to the McCreary County Water District Debt Reserve Fund, described in Section 402 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is United Cumberland Bank, Whitley City, Kentucky, or its successor.

"District" refers to the McCreary County Water District.

"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 Eclipse Engineers, 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 Current Sinking Fund, the Prior Sinking Fund, the Debt Reserve Fund and the Operation and Maintenance Fund.

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

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

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

"Interim Lender" refers to 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 Loan" refers to the loan to the District from the Kentucky Infrastructure Authority, dated January 1, 2004, in the original principal amount of \$1,725,714.

"KRWFC 2012 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated May 30, 2012, in the original principal amount of \$4,800,000.

"KRWFC 2013 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated March 24, 2004, in the original principal amount of \$2,050,000, which loan was reamortized on February 27, 2013 to a revised principal amount of \$1,415,000.

"KRWFC 2020 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated September 23, 2020, in the original principal amount of \$1,705,000.

"Local Counsel" refers to Stoll Keenon Ogden, PLLC, Lexington, 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 McCreary County Water District Operation and Maintenance Fund described in Section 401 of this Resolution.

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

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

"Prior Bonds" refers collectively to the Series 2012 Bonds, the KIA Loan, the KRWFC 2012 Loan, the KRWFC 2013 Loan, the Series 2015 Bonds, the Series 2020 Bonds and the KRWFC 2020 Loan.

"Prior Bond Resolution" refers collectively to the 2012 Bond Resolution, the 2015 Bond Resolution, the 2020 Bond Resolution and the resolutions authorizing the KIA Loan, the KRWFC 2012 Loan, the KRWFC 2013 Loan and the KRWFC 2020 Loan.

"Prior Sinking Fund" refers to the McCreary County Water District Water and Sewer Revenue Bond and Interest Sinking Fund, described in Section 401 of this 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 United States Department of Agriculture, acting through Rural Development.

"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 McCreary County Water District Revenue Fund, described in Section 401 of this Resolution.

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

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$1,444,710. 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 \$542,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$1,444,710
Less:		
CDBG Grant	\$722,000	
RD Grant	<u>180,710</u>	
Total Non-Bond Funds:		<u>(902,710)</u>
Balance to be financed by Current Bonds		\$542,000

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 \$542,000 principal amount of McCreary County Water District Water System Revenue Bonds, Series 2021.

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 April 1 and October 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 April 1 or October 1, as the case may be. Principal of the Current Bonds shall be payable on April 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 Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable out of the gross revenues of the System, subject to the priority of the Prior Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to April 1, 2031, shall not be subject to prepayment. Principal maturities falling due on and after April 1, 2031, shall be subject to prepayment by the District on any date falling on and after April 1, 2030, at par plus accrued interest, without any prepayment penalty.

So long as the registered owner of the Current Bonds is the United States of America, or any agency thereof, the entire principal amount of the Current Bonds, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on the Current Bonds shall, after payment of interest, be applied to the installments last to become due hereunder and shall not affect the obligation of the District to pay the remaining installments in accordance with the Current Bonds.

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$291,000 (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 \$291,000, 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 "McCreary County Water District Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said

Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

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

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

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

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

(4) Transfer of Capitalized Interest to Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest, if any, 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 Current Sinking Fund.

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

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

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under 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 Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Debt Reserve Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District 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 \$542,000 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 \$542,000. 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 \$542,000 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) McCreary County Water District Water System Revenue Fund
- (b) McCreary County Water District Water System Revenue Bond and Interest Sinking Fund
- (c) McCreary County Water District Water System Debt Reserve Fund
- (d) McCreary County Water District Water System Operation and Maintenance Fund

There is hereby created the McCreary County Water District Water System Sinking Fund of 2021.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding. The District shall have the right to designate a different Depository Bank at any time.

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

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

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

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

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

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

C. Current Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount, if any, sufficient 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 Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

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

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

D. Debt Reserve 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 \$165 each month which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$19,800, which amount shall be maintained, and when necessary, restored to said sum of \$19,800, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

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

Moneys in the Debt Reserve Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the 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 Debt Reserve 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 Debt Reserve 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 Debt Reserve Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

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

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

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

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

Section 403. Current Bonds Subject to the Prior Bonds. The Current Bonds shall be secured by and payable on a parity from the income and revenues of the System, subject to the vested rights and priorities of the Prior Bonds.

ARTICLE 5. COVENANTS OF DISTRICT

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

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

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than 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 water systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 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. Civil Rights and Equal Opportunity. The District covenants and agrees to comply with all applicable Federal laws and statutes, including but not limited to:

(a) *Section 504 of the Rehabilitation Act of 1973.* The District acknowledges that under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RHS financial assistance.

(b) *Civil Rights Act of 1964.* The District acknowledges that it is subject to, and its Facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C.

2000d *et seq.*) and Subpart E of Part 1901 of said Title VI, particularly as it relates to conducting and reporting of compliance reviews.

(c) *Americans with Disabilities Act (ADA) of 1990.* The District acknowledges that the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 *et seq.*) [the "ADA Act"] prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the ADA Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the ADA Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

(d) *Age Discrimination Act of 1975.* The District acknowledges that the Age Discrimination Act of 1975 (42 U.S.C. 6101 *et seq.*) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

(e) *Limited English Proficiency (LEP) under Executive Order 13166.* The District acknowledges that LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the grounds of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write or understand English. These individuals may be entitled to language assistance, free of charge. The District agrees to take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to RHS programs, services and information the District provides. These protections are pursuant to Executive Order 13166 entitled "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005 "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.

Section 507. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Make such Parity Bonds payable as to principal on April 1 of each year in which principal falls due and payable as to interest on April 1 and October 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 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 \$180,710 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of CDBG Grant Agreement. The Department of Housing and Urban Development (the "HUD") has agreed to make a grant to the District in the amount of \$722,000 (the "CDBG Grant"), to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and HUD has requested the District to approve, accept and execute a certain CDBG Grant Agreement (the "CDBG Grant Agreement") setting out the terms and conditions upon which said CDBG Grant will be made. Said CDBG Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said CDBG Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other CDBG Grants offered to the District in connection with the Project and to execute any and all CDBG Grant Agreements and any other documents as may be requested by the HUD in connection with CDBG Grants which have been and/or which may hereafter be approved for such Project.

Section 806. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

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

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

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

Section 808. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a written authorization signed by the Purchaser and the Chairman 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 January 26, 2021.

McCREARY COUNTY WATER DISTRICT

Chairman

(Seal of District)

Attest:

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on January 26, 2021, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this January 26, 2021.

Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments on Bonds

Payment Due <u>April 1</u>	Principal <u>Payment</u>	Payment Due <u>April 1</u>	Principal <u>Payment</u>
2022	\$ 9,000	2042	\$13,500
2023	9,500	2043	13,500
2024	9,500	2044	14,000
2025	9,500	2045	14,000
2026	10,000	2046	14,500
2027	10,000	2047	14,500
2028	10,500	2048	15,000
2029	10,500	2049	15,000
2030	10,500	2050	15,500
2031	11,000	2051	16,000
2032	11,000	2052	16,000
2033	11,500	2053	16,500
2034	11,500	2054	16,500
2035	11,500	2055	17,000
2036	12,000	2056	17,500
2037	12,000	2057	17,500
2038	12,500	2058	18,000
2039	12,500	2059	18,500
2040	13,000	2060	18,500
2041	13,000	2061	20,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

**UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
McCREARY COUNTY WATER DISTRICT
WATER SYSTEM REVENUE BONDS, SERIES 2021
(MARSH CREEK WATERLINE REPLACEMENT PROJECT)**

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

KNOW ALL PERSONS BY THESE PRESENTS:

That the McCreary County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in the Commonwealth of 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 April, 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 April and October in each year, beginning with the first April or October 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 in the principal amount of \$542,000 under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing water system of the District (said existing water system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the outstanding (i) Kentucky Infrastructure Authority Loan (the "KIA Loan"), dated January 1, 2004 (the "KIA Loan"); (ii) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated May 30, 2012 (the "2012 KRWFC Loan"); (iii) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated March 24, 2004, said loan being reamortized on February 27, 2013 (the "2013 KRWFC Loan"); (iv) McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013 (the "2012 Bonds"); (v) McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, dated February 5, 2016 (the "2015 Bonds"); (vi) McCreary County Water District Water and Sewer Revenue Bonds, Series 2020, dated May 28, 2020 (the "2020 Bonds"); and (vii) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated September 23, 2020 (the "2020 KRWFC Loan") [hereinafter the KIA Loan, the 2012 KRWFC Loan, the 2012 Bonds, the 2013 KRWFC Loan, the 2015 Bonds, the 2020 Bonds and the 2020 KRWFC Loan shall be collectively referred to as the "Prior Bonds"].

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "McCreary County Water District Sinking Fund of 2021", described in the Current Bond Resolution.

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

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after April 1, 2030, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on this Bond shall, after payment of interest, be applied to the installments last to become due hereunder and shall not affect the obligation of the District to pay the remaining installments in accordance with this Bond.

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

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

IN WITNESS WHEREOF said McCreary 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

McCREARY COUNTY WATER DISTRICT

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: McCreary County Water District Water System Revenue Bonds, Series 2021, in the amount of \$542,000

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

McCreary County Water District

Eclipse Engineers, PLLC

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

EXHIBIT G-10

BOND RESOLUTION

McCREARY COUNTY WATER DISTRICT

AUTHORIZING

McCREARY COUNTY WATER DISTRICT

WATER SYSTEM REVENUE BONDS, SERIES 2022

(PARKER'S LAKE, STEARNS AND PRISON TANK REHABILITATION PROJECT)

IN THE PRINCIPAL AMOUNT OF

\$615,000

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BOND RESOLUTION

RESOLUTION OF THE McCREARY COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$615,000 PRINCIPAL AMOUNT OF McCREARY COUNTY WATER DISTRICT WATER SYSTEM REVENUE BONDS, SERIES 2022 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATER SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATER AND SEWER SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the water system (the "System") of the McCreary 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 \$615,000 (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 Eclipse Engineers, PLLC 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 has filed an Application with the Kentucky Public Service Commission for the issuance of a Certificate of Public Convenience and Necessity, authorizing the issuance of the Current Bonds and 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 \$204,750, to provide the total cost of such construction,

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

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

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

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

"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, the 2007 Bonds, and the Parity Bonds.

"Bonds of 2012" or "Series 2012 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013, in the original authorized principal amount of \$1,935,000, consisting of \$1,300,000 of Series A Bonds and \$635,000 of Series B Bonds.

"Bonds of 2015" or "Series 2015 Bonds" refer to the outstanding McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, dated February 5, 2016, in the original authorized principal amount of \$1,158,000.

"Bonds of 2020" or "Series 2020 Bonds" refer to the outstanding McCreary County Water District Water and Sewer Revenue Bonds, Series 2020, dated May 28, 2020, in the original authorized principal amount of \$1,324,000.

"Bonds of 2021" or "Series 2021 Bonds" refer to the outstanding McCreary County Water District Water System Revenue Bonds, Series 2021 (Marsh Creek Waterline Replacement Project), dated March 4, 2022, in the original authorized principal amount of \$542,000.

"Bond Resolution of 2012" or "2012 Bond Resolution" refer to the Resolution authorizing the Series 2012 Bonds.

"Bond Resolution of 2015" or "2015 Bond Resolution" refer to the Resolution authorizing the Series 2015 Bonds.

"Bond Resolution of 2020" or *"2020 Bond Resolution"* refer to the Resolution authorizing the Series 2020 Bonds.

"Bond Resolution of 2021" or *"2021 Bond Resolution"* refer to the Resolution authorizing the Series 2021 Bonds.

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

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

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

"Current Bonds" refers to the \$615,000 of McCreary County Water District Water System Revenue Bonds, Series 2022 (Parker's Lake, Stearns and Prison Tank Rehabilitation Project) authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the McCreary County Water District Water System Sinking Fund of 2022 created in this Bond Resolution.

"Debt Reserve Fund" refers to the McCreary County Water District Debt Reserve Fund, described in Section 402 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is United Cumberland Bank, Whitley City, Kentucky, or its successor.

"District" refers to the McCreary County Water District.

"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 Eclipse Engineers, 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 Current Sinking Fund, the Prior Sinking Fund, the Debt Reserve Fund and the Operation and Maintenance Fund.

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

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

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

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

"KIA Loan" refers to the loan to the District from the Kentucky Infrastructure Authority, dated January 1, 2004, in the original principal amount of \$1,725,714.

"KRWFC 2012 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated May 30, 2012, in the original principal amount of \$4,800,000.

"KRWFC 2013 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated March 24, 2004, in the original principal amount of \$2,050,000, which loan was reamortized on February 27, 2013 to a revised principal amount of \$1,415,000.

"KRWFC 2020 Loan" refers to the loan to the District from the Kentucky Rural Water Finance Corporation, dated September 23, 2020, in the original principal amount of \$1,705,000.

"Local Counsel" refers to Baird, Blevins & Lowe, PLLC, Corbin, 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 McCreary County Water District Operation and Maintenance Fund described in Section 401 of this Resolution.

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

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

"Prior Bonds" refers collectively to the Series 2012 Bonds, the KIA Loan, the KRWFC 2012 Loan, the KRWFC 2013 Loan, the Series 2015 Bonds, the Series 2020 Bonds, the KRWFC 2020 Loan and the Series 2021 Bonds.

"Prior Bond Resolution" refers collectively to the 2012 Bond Resolution, the 2015 Bond Resolution, the 2020 Bond Resolution, the 2021 Bond Resolution and the resolutions authorizing the KIA Loan, the KRWFC 2012 Loan, the KRWFC 2013 Loan and the KRWFC 2020 Loan.

"Prior Sinking Fund" refers to the McCreary County Water District Water and Sewer Revenue Bond and Interest Sinking Fund, described in Section 401 of this 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 United States Department of Agriculture, acting through Rural Development.

"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 McCreary County Water District Revenue Fund, described in Section 401 of this Resolution.

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

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense,

capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$819,750. 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 \$615,000 of Current Bonds, based on the following calculation:

Total cost of Project	\$819,750
Less:	
RD Grant	\$204,750
Total Non-Bond Funds:	<u>(204,750)</u>
Balance to be financed by Current Bonds	\$615,000

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 \$615,000 principal amount of McCreary County Water District Water System Revenue Bonds, Series 2022.

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 April 1 and October 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 April 1 or October 1, as the case may be. Principal of the Current Bonds shall be payable on April 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 Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable out of the gross revenues of the System, subject to the priority of the Prior Bonds.

Section 108. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights

of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to April 1, 2032, shall not be subject to prepayment. Principal maturities falling due on and after April 1, 2032, shall be subject to prepayment by the District on any date falling on and after April 1, 2031, at par plus accrued interest, without any prepayment penalty.

So long as the registered owner of the Current Bonds is the United States of America, or any agency thereof, the entire principal amount of the Current Bonds, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on the Current Bonds shall, after payment of interest, be applied to the installments last to become due hereunder and shall not affect the obligation of the District to pay the remaining installments in accordance with the Current Bonds.

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

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

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$291,000 (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 \$291,000, 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 "McCreary County Water District Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said

Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

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

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

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

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

(4) Transfer of Capitalized Interest to Current Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest, if any, 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 Current Sinking Fund.

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

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

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under 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 Current Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Current Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Debt Reserve Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District 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 \$615,000 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 \$615,000. 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 \$615,000 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) McCreary County Water District Water System Revenue Fund
- (b) McCreary County Water District Water System Revenue Bond and Interest Sinking Fund
- (c) McCreary County Water District Water System Debt Reserve Fund
- (d) McCreary County Water District Water System Operation and Maintenance Fund

There is hereby created the McCreary County Water District Water System Sinking Fund of 2022.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding. The District shall have the right to designate a different Depository Bank at any time.

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

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

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

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

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

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

C. Current Sinking Fund. At or after the time that the Current Bonds have been delivered, there shall be transferred from the Construction Account into the Current Sinking Fund an amount, if any, sufficient 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 Current Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

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

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

D. Debt Reserve 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 \$185 each month which shall be deposited into the Debt Reserve Fund until there is accumulated in such Debt Reserve Fund the sum of at least \$22,200, which amount shall be maintained, and when necessary, restored to said sum of \$22,200, so long as any of the Current Bonds are outstanding and unpaid. These deposits are in addition to the deposits required by the Prior Bond Resolution.

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

Moneys in the Debt Reserve Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the 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 Debt Reserve 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 Debt Reserve 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 Debt Reserve Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

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

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

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

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

Section 403. Current Bonds Subject to the Prior Bonds. The Current Bonds shall be secured by and payable on a parity from the income and revenues of the System, subject to the vested rights and priorities of the Prior Bonds.

ARTICLE 5. COVENANTS OF DISTRICT

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

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

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than 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 water systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 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. Civil Rights and Equal Opportunity. The District covenants and agrees to comply with all applicable Federal laws and statutes, including but not limited to:

(a) *Section 504 of the Rehabilitation Act of 1973.* The District acknowledges that under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving RHS financial assistance.

(b) *Civil Rights Act of 1964.* The District acknowledges that it is subject to, and its Facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C.

2000d *et seq.*) and Subpart E of Part 1901 of said Title VI, particularly as it relates to conducting and reporting of compliance reviews.

(c) *Americans with Disabilities Act (ADA) of 1990.* The District acknowledges that the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 *et seq.*) [the "ADA Act"] prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the ADA Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the ADA Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

(d) *Age Discrimination Act of 1975.* The District acknowledges that the Age Discrimination Act of 1975 (42 U.S.C. 6101 *et seq.*) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

(e) *Limited English Proficiency (LEP) under Executive Order 13166.* The District acknowledges that LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the grounds of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons. LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write or understand English. These individuals may be entitled to language assistance, free of charge. The District agrees to take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to RHS programs, services and information the District provides. These protections are pursuant to Executive Order 13166 entitled "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005 "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA.

Section 507. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Make such Parity Bonds payable as to principal on April 1 of each year in which principal falls due and payable as to interest on April 1 and October 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 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 \$204,750 (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 water facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such water lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such water facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and when-

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

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

Section 807. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

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

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

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

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a written authorization signed by the Purchaser and the Chairman 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 July 21, 2022.

McCREARY COUNTY WATER DISTRICT


Chairman

(Seal of District)

Attest:


Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on July 21, 2022, as shown by the official records of said District in my custody and under my control.

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

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this July 21, 2022.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments on Bonds

Payment Due <u>April 1</u>	Principal <u>Payment</u>	Payment Due <u>April 1</u>	Principal <u>Payment</u>
2024	\$ 10,500	2044	\$15,000
2025	10,500	2045	15,500
2026	11,000	2046	15,500
2027	11,000	2047	16,000
2028	11,500	2048	16,500
2029	11,500	2049	16,500
2030	11,500	2050	17,000
2031	12,000	2051	17,500
2032	12,000	2052	17,500
2033	12,500	2053	18,000
2034	12,500	2054	18,500
2035	13,000	2055	18,500
2036	13,000	2056	19,000
2037	13,500	2057	19,500
2038	13,500	2058	19,500
2039	14,000	2059	20,000
2040	14,000	2060	20,500
2041	14,500	2061	21,000
2042	14,500	2062	21,000
2043	15,000	2063	21,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

**UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
McCREARY COUNTY WATER DISTRICT
WATER SYSTEM REVENUE BONDS, SERIES 2022
(PARKER'S LAKE, STEARNS AND PRISON TANK REHABILITATION PROJECT)**

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

KNOW ALL PERSONS BY THESE PRESENTS:

That the McCreary County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in the Commonwealth of 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 April, 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 April and October in each year, beginning with the first April or October 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 in the principal amount of \$615,000 under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing water system of the District (said existing water system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond is payable from and secured by a pledge of the gross revenues to be derived from the operation of the System, after providing for the requirements of the outstanding (i) Kentucky Infrastructure Authority Loan (the "KIA Loan"), dated January 1, 2004 (the "KIA Loan"); (ii) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated May 30, 2012 (the "2012 KRWFC Loan"); (iii) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated March 24, 2004, said loan being reamortized on February 27, 2013 (the "2013 KRWFC Loan"); (iv) McCreary County Water District Water System Revenue Bonds, Series 2012, dated February 27, 2013 (the "2012 Bonds"); (v) McCreary County Water District Water and Sewer Revenue Bonds, Series 2015, dated February 5, 2016 (the "2015 Bonds"); (vi) McCreary County Water District Water and Sewer Revenue Bonds, Series 2020, dated May 28, 2020 (the "2020 Bonds"); (vii) Kentucky Rural Water Finance Corporation Flexible Term Loan, dated September 23, 2020; and (viii) McCreary County Water District Water System Revenue Bonds, Series 2021, dated March 4, 2022 (the "2021 Bonds") [hereinafter the KIA Loan, the 2012 KRWFC Loan, the 2012 Bonds, the 2013 KRWFC Loan, the 2015 Bonds, the 2020 Bonds, the 2020 KRWFC Loan and the 2021 Bonds shall be collectively referred to as the "Prior Bonds"].

This Bond has been issued in full compliance with the Current Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "McCreary County Water District Sinking Fund of 2022", described in the Current Bond Resolution.

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

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

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

The District, at its option, shall have the right to prepay, on any interest payment date on and after April 1, 2031, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due. Prepayments or extra payments on this Bond shall, after payment of interest, be applied to the installments last to become due hereunder and shall not affect the obligation of the District to pay the remaining installments in accordance with this Bond.

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

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

IN WITNESS WHEREOF said McCreary 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

McCREARY COUNTY WATER DISTRICT

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

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

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

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

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: McCreary County Water District Water System Revenue Bonds, Series 2022, in the amount of \$615,000

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

McCreary County Water District

Eclipse Engineers, PLLC

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

USDA, Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Approved on _____

Total _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

EXHIBIT G-11

MUNICIPAL LEASE-PURCHASE AGREEMENT

THIS MUNICIPAL LEASE-PURCHASE AGREEMENT **No.8306** (hereafter referred to as "Agreement") dated as of **June 29, 2018**, by and between **Government Capital Corporation**, a Texas corporation (and its successors and assigns, herein referred to as "Lessor"), and **McCreary County Water District**, a political subdivision or agency of the State of Kentucky (hereinafter referred to as "Lessee").

WITNESSETH: In consideration of the mutual covenants and conditions hereinafter set forth, the parties hereto agree as follows:

- 1. Term and Payments.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the property described in Exhibit A hereto (hereinafter, with all replacement parts, substitutions, proceeds, increases, additions, accessions, repairs and accessories incorporated therein or affixed thereto, referred to as the "Property") for the amounts to be paid in the amounts (the "Lease Payments") and on the dates (the "Lease Payment Dates") set forth in Exhibit B hereto. Except as specifically provided in Section 2 hereof, the obligation of the Lessee to make the Lease Payments shall be absolute and unconditional in all events and shall not be subject to any set-off, defense, counterclaim, abatement, reduction or recoupment for any reason. The term of this Agreement shall commence on the date hereof and shall continue until the end of the Lessee's current fiscal period and thereafter shall continue for such successive fiscal periods as are necessary to pay all Lease Payments for the full lease term as set forth in Exhibit B, unless earlier terminated as provided herein. Lessee shall pay the Lease Payments out of its general funds and other funds of Lessee that are legally available therefor with lawful money of the United States of America, without notice or demand, at the office of Lessor identified below (or such other place as Lessor may designate from time to time in writing).
- 2. Renewal and Non-Appropriation.** Lessee agrees that its officer responsible for the Lessee's budget will take all necessary steps and make timely requests for the appropriation of funds to make all Lease Payments, and use the officer's best efforts and take all reasonable means to cause such appropriations to be made. In the event that funds have been appropriated for the payment of Lease Payments during any fiscal period, this Agreement will terminate at the end of the last fiscal period for which such funds were appropriated. Lessee shall give notice to Lessor at least sixty (60) days prior to the first day of such fiscal period for which appropriations cannot be made. Lessee's failure to obtain the full amount of funds necessary to make Lease Payments hereunder during any fiscal period shall terminate all Lessee's right, title and interest in and obligations under this Agreement and to all the Property, effective on the last day of the last fiscal period for which appropriation or approval was properly obtained.
- 3. Lessee's Representations and Warranties.** Lessee covenants and warrants to Lessor as follows:
 - (a)** Lessee is a state or political subdivision of the State within the meaning of Section 103(c) of the Internal Revenue Code of 1986, as amended (the "Code"), duly organized and existing under the Constitution and laws of the State, and is authorized under the Constitution and laws of the State to enter into this Agreement and the transactions contemplated hereby and thereby, and to perform all of its obligations under this Agreement.
 - (b)** This Agreement has been duly authorized, executed, and delivered by Lessee and is a valid and binding obligation of Lessee enforceable in accordance with its terms, and all requirements for execution, delivery and performance of this Agreement have been satisfied;
 - (c)** The execution, delivery and performance of this Agreement by Lessee does not (i) violate any State or federal law or local law or ordinance, or any order, writ, injunction, decree, or regulation of any court or other governmental agency or body applicable to Lessee, or (ii) conflict with or result in the breach or violation of any term or provision of, or constitute a default under, any note, bond, mortgage, indenture, agreement, deed of trust, lease or other obligation to which Lessee is bound;(d) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of Lessee's knowledge, threatened against or affecting Lessee, challenging Lessee's authority to enter into this Agreement or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of this Agreement;
 - (d)** Information supplied and statements made by Lessee in any financial statement or current budget prior to or contemporaneously with the Agreement are true and correct;
 - (e)** Lessee has an immediate need for, and expects to make immediate use of, the Property, which need is not temporary or expected to diminish during the full term of this Agreement;
 - (f)** There are no circumstances presently affecting the Lessee that could reasonably be expected to alter its foreseeable need for the Property or adversely affect its ability or willingness to budget funds for the payment of sums due hereunder;
 - (g)** Lessee's right to terminate this Agreement as specified in Section 2 hereof was not an independently bargained for consideration, but was included solely for the purpose of complying with the requirements of the laws of the State in which Lessee is located; and
 - (h)** No lease, rental agreement, lease-purchase agreement, payment agreement or contract for purchase to which Lessee has been a party at any time during the past ten (10) years has been terminated by Lessee as a result of insufficient funds being appropriated in any Fiscal Year. No event has occurred which would constitute an event of default under any debt, revenue bond or obligation which Lessee has issued during the past ten (10) years.
- 4. Taxes.** Lessee agrees to pay all licenses, assessments, sales, use, real or personal property, gross receipts or other taxes, levies, imposts, duties or charges, if any, together with any penalties, fines, or interest thereon imposed against or on Lessor, Lessee or the Property by any governmental authority upon or with respect to the Property or the purchase, ownership, rental, possession, operation, return or sale of, or receipt of payments for, the Property, except any Federal or state income taxes, if any, payable by Lessor (except as provided in Section 23). Lessee may contest any such taxes prior to payment provided such contest does not involve any risk of sale, forfeiture or loss of the Property or any interest therein.
- 5. Use and Licenses.** Lessee shall pay and discharge all operating expenses and shall cause the Property to be operated by competent persons only. Lessee shall use the Property only for its proper purposes and will not install, use, operate or maintain the Property improperly, carelessly, or in violation of any applicable law, ordinance, rule or regulation of any governmental authority, or in a manner contrary to the nature of the Property or the use contemplated by its manufacturer. Lessee shall keep the property at the location stated on the Certificate of Acceptance executed by Lessee upon delivery of the Property until Lessor, in writing, permits its removal, and the Property shall be used solely in the conduct of the Lessee's operations. Lessee shall obtain, at its expense, all registrations, permits and licenses, if any, required by law for the installation and operation of the Property. Any

license plates used on the Property shall be issued in the name of the Lessee. If a certificate of title is issuable with respect to the Property, it shall be delivered to the Lessor showing the interest of the Lessor.

6. Maintenance. Lessor shall not be obligated to make any repairs or replacements. At its own expense, Lessee shall service, repair and maintain the Property in as good condition, repair, appearance and working order as when delivered to Lessee hereunder, ordinary wear and tear from proper use alone excepted, and shall replace any and all parts thereof which may from time to time become worn out, lost, stolen, destroyed, or damaged beyond repair or rendered unfit for intended use, for any reason whatsoever, all of which replacements shall be free and clear of all liens, encumbrances and claims of others and shall become part of the Property and subject to this Agreement. Lessor may, at its option, discharge such costs, expenses and insurance premiums necessary for the repair, maintenance and preservation of the Property, and all sums so expended shall be due from Lessee in addition to rental payments hereunder.

7. Alterations.

(a) Lessee may, at its own expense, install or place in or on, or attach or affix to, the Property such equipment or accessories as may be necessary or convenient to use the Property for its intended purposes provided that such equipment or accessories do not impair the value or utility of the Property. All such equipment and accessories shall be removed by Lessee upon termination of this Agreement, provided that any resulting damage shall be repaired at Lessee's expense. Any such equipment or accessories not removed shall become the property of Lessor.

(b) Without the written consent of Lessor, Lessee shall not make any other alterations, modifications or improvements to the Property except as required or permitted hereunder. Any other alterations, modifications or improvements to the Property shall immediately become part of the Property, subject to the provisions hereof. Without the prior written consent of Lessor, Lessee shall not affix or attach any of the Property to any real property. The Property shall remain personal property regardless of whether it becomes affixed or attached to real property or permanently rests upon any real property or any improvement thereon.

8. Liens. Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, security interest, pledge, lien, charge, encumbrance or claim on or with respect to the Property, title thereto or any interest therein, except the respective rights of Lessor and Lessee hereunder.

9. Damage to or Destruction of Property. Lessee shall bear the entire risk of loss, damage, theft or destruction of the Property from any and every cause whatsoever, and no loss, damage, destruction or other event shall release Lessee from the obligation to pay the full amount of the Lease Payments or from any other obligation under this Agreement. In the event of damage to any item of the Property, Lessee will provide notice to Lessor and, unless otherwise directed by Lessor, immediately place the same in good repair, with the proceeds of any insurance recovery applied to the cost of such repair. If Lessor determines that any item of Property is lost, stolen, destroyed or damaged beyond repair, Lessee, at the option of Lessor, will either (a) replace the same with like property in good repair or (b) on the next Lease Payment Date, pay to Lessor (i) all amounts then owed by Lessee to Lessor under this Agreement, including the Lease Payment due on such date, and (ii) an amount equal to the applicable Option to Purchase Value set forth in Exhibit B.

10. Insurance. Lessee shall, for the term of this Agreement, at its own expense, provide comprehensive liability insurance with respect to the Property, insuring against such risks, and such amounts as are customary for lessees of property of a character similar to the Property. Lessee may self-insure with Lessor's prior written consent. In addition, Lessee shall, for the term of this Agreement, at its own expense, provide casualty insurance with respect to the Property, insuring against customary risks, coverage at all times not less than the amount of the unpaid principal portion of the Lease Payments. If insurance policies are provided with respect to the Property, all insurance policies shall be with insurers rated not less than "A" by A.M. Best and authorized to do business in the State where the Property is located, and shall name both Lessor and Lessee as insureds as their respective interest may appear. Insurance proceeds from casualty losses shall be payable solely to the Lessor, subject to the provisions of Section 9. Lessee shall, upon request, deliver to Lessor evidence of the required coverages together with premium receipts, and each insurer shall agree to give Lessor written notice of non-payment of any premium due and ten (10) days notice prior to cancellation or alteration of any such policy. Lessee shall also carry and require any other person or entity working on, in or about the Property to carry workmen's compensation insurance covering employees on, in or about the Property. In the event Lessee fails, for any reason, to comply with the requirements of this Section, Lessee shall indemnify, save harmless and, at Lessee's sole expense, defend Lessor and its agents, employees, officers and directors and the Property against all risk of loss not covered by insurance.

11. Claims and Expenses. Lessee assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Property and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of Lessee or of third parties, and whether such property damage be to Lessee's property or the property of others, which is proximately caused by the negligent conduct of Lessee, its officers, employees and agents. Lessee hereby assumes responsibility for and agrees to reimburse Lessor for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against Lessor that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent conduct of Lessee, its officers, employees and agents, to the maximum extent permitted by law.

12. No Warranty. ALL WARRANTIES, PROMISES AND SERVICE AGREEMENTS, IF ANY, RELATING TO THE PROPERTY THAT THE MANUFACTURERS OR SUPPLIERS OF THE PROPERTY (THE "VENDOR") HAVE MADE IN CONNECTION WITH THE PROPERTY ARE HEREBY ASSIGNED TO LESSEE. Lessee may communicate with Vendor and receive an accurate and complete statement of all such warranties, promises and service agreements, if any. All claims or actions on any warranty so assigned shall be made or prosecuted by Lessee, at its sole expense, upon prior written notice to Lessor. Lessor may, but shall have no obligation whatsoever to participate in such claim or action on such warranty, at Lessor's expense. Any recovery under such a warranty shall be made payable jointly to Lessee and Lessor. Lessee acknowledges that Lessee has selected the Vendor and that Lessee has directed Lessor to acquire the Property from Vendor in connection with this Agreement. Lessee further acknowledges that this Agreement is a "Finance Lease" within the meaning of the Uniform Commercial Code and that Lessee is entitled to the Vendor's warranties and promises described above, if any. LESSOR HAS MADE AND MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AND ASSUMES NO OBLIGATION WITH RESPECT TO THE TITLE, MERCHANTABILITY, CONDITION, QUALITY OR FITNESS OF THE PROPERTY DESCRIBED IN EXHIBIT A FOR ANY PARTICULAR PURPOSE OR THE CONFORMITY OF THE PROPERTY TO ANY SPECIFICATION OR PURCHASE ORDER, OR AS TO THE PROPERTY'S DESIGN, DELIVERY, INSTALLATION OR OPERATION. All such risks shall be borne by Lessee without in any way excusing Lessee from its obligations under this Agreement, and Lessor shall not be liable to Lessee for any damages on account of such risks.

13. Option to Purchase. Provided that no Event of Default has occurred and is continuing, Lessee shall have the option to purchase all of the Property which is then subject to this Agreement, "as is" on a Lease Payment Date, by paying the applicable Option to Purchase Value set forth in Exhibit B plus the Lease Payment then due and all other amounts due and owing hereunder, by giving written notice to Lessor not less than sixty (60) days prior to the date for the exercise of such option; provided that at the end of the full term of this Agreement upon Lessee's payment of all Lease Payments and any other amounts payable hereunder, Lessee shall be deemed to have properly exercised its option to purchase the Property, free of any lien, encumbrance or security interest except such liens in favor of Lessor. Upon payment of the applicable Option to Purchase Value and other amounts payable hereunder, Lessor's interest in the Property shall automatically vest in Lessee free from any lien, encumbrance or security interest in favor of Lessor and this Agreement shall terminate.

14. Default and Lessor's Remedies.

(a) The occurrence of one or more of the following events shall constitute an "Event of Default", whether occurring voluntarily or involuntarily, by operation of law or pursuant to any order of any court or governmental agency:

- (1) Lessee fails to make any payment hereunder when due;
- (2) Lessee fails to comply with any other covenant, condition or agreement of Lessee hereunder for a period of the ten (10) days after notice thereof;
- (3) Any representation or warranty made by Lessee hereunder shall be untrue in any material respect as of the date made;

(4) Lessee fails to insure the Property as required by Section 10.

(5) Lessee makes, permits or suffers any unauthorized assignment, transfer or other disposition of this Agreement or any interest herein, or any part of the Property or any interest therein; or

(6) Lessee becomes insolvent; or admits in writing its inability to pay its debts as they mature; or applies for, consents to or acquiesces in the appointment of a trustee, receiver or custodian for the Lessee or a substantial part of its property; or, in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed for Lessee or a substantial part of its property and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, moratorium, or any proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is instituted by or against Lessee and, if instituted against Lessee, is consented to or acquiesced in by Lessee or is not dismissed within sixty (60) days.

(b) Upon the occurrence of any Event of Default specified herein, Lessor may, at its sole discretion, exercise any or all of the following remedies:

(1) Lessor, with or without terminating this Agreement, may declare all Lease Payments payable hereunder to the end of the then-current fiscal period of Lessee to be immediately due and payable by Lessee, whereupon such Lease Payments shall be immediately due and payable;

(2) Terminate this Agreement and take possession of the Property, without demand or notice and without court order or any process of law, and remove and relet the same for Lessee's account, in which event Lessee waives any and all damages resulting there from and shall be liable for all costs and expenses incurred by Lessor in connection therewith and the difference, if any, between the amounts to be paid pursuant to Section 1 hereof and the amounts received and to be received by Lessor in connection with any such reletting;

(3) Terminate this Agreement and repossess the Property, in which event Lessee shall be liable for any amounts payable hereunder through the date of such termination and all costs and expenses incurred by Lessor in connection therewith;

(4) Sell the Property or any portion thereof for Lessor's account at public or private sale, for cash or credit, without demand on notice to Lessee of Lessor's intention to do so, or relet the Property for a term and a rental which may be equal to, greater than or less than the rental and term provided herein. If the proceeds from any such sale or rental payments received under a new agreement made for the periods prior to the expiration of this Agreement are less than the sum of (i) the costs of such repossession, sale, relocation, storage, reconditioning, reletting and reinstallation (including but not limited to reasonable attorneys' fees), (ii) the unpaid principal balance of the Lease Payments, and (iii) any past due amounts hereunder (plus interest on such unpaid principal balance at the Default Rate (defined herein), to the date of such sale), all of which shall be paid to Lessor, Lessor shall retain all such proceeds and Lessee shall remain liable for any deficiency; or

(5) Pursue and exercise any other remedy available at law or in equity, in which event Lessee shall be liable for any and all costs and expenses incurred by Lessor in connection therewith. "Costs and expenses", as that term is used in this Section 14, shall mean, to the extent allowed by law: (i) reasonable attorneys' fees if this Agreement is referred for collection to an attorney not a salaried employee of Lessor or the holder of this Agreement; (ii) court costs and disbursements including such costs in the event of any action necessary to secure possession of the Property; and (iii) actual and reasonable out-of-pocket expenses incurred in connection with any repossession or foreclosure, including costs of storing, reconditioning and reselling the Property, subject to the standards of good faith and commercial reasonableness set by the applicable Uniform Commercial Code. Lessee waives all rights under all exemption laws.

(6) Apply any proceeds of this Agreement held under any escrow fund or project fund established in connection herewith to the outstanding amount of this Agreement.

Each of the rights and remedies under this Agreement is cumulative and may be enforced separately or concurrently.

15. Termination. Unless Lessee has properly exercised its option to purchase pursuant to Section 13 hereof, lessee shall, upon the expiration of the term of this Agreement or any earlier termination hereof pursuant to the terms of this Agreement, deliver the Property to Lessor unencumbered and in at least as good condition and repair as when delivered to Lessee, ordinary wear and tear resulting from proper use alone excepted, by loading the Property, at Lessee's sole expense, on such carrier, or delivering the Property to such location, as Lessor shall provide or designate at or within a reasonable distance from the general location of the Property. If Lessee fails to deliver the Property to Lessor, as provided in this Section 15, on or before the date of termination of this Agreement, Lessee shall pay to Lessor upon demand, for the hold-over period, a portion of the total payment for the applicable period as set forth in Exhibit B prorated from the date of termination of this Agreement to the date Lessee either redelivers the Property to Lessor or Lessor repossesses the Property. Lessee hereby waives any right which it now has or which might be acquired or conferred upon it by any law or order of any court or other governmental authority to terminate this Agreement or its obligations hereunder, except in accordance with the express provisions hereof.

16. Assignment. Without Lessor's prior written consent, Lessee will not either (i) assign, transfer, pledge,

hypothecate, grant any security interest in or otherwise dispose of this Agreement or the Property or any interest in this Agreement or the Property; or **(ii)** sublet or lend the Property. Lessor may assign its rights, title and interest in and to this Agreement, the Property and any other documents executed with respect to this Agreement and/or grant or assign a security interest in this Agreement and the Property, in whole or in part. Any such assignees shall have all of the rights of Lessor under this Agreement. Subject to the foregoing, this Agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. No assignment or reassignment of any of Lessor's rights, title or interest in this Agreement or the Property shall be effective with regard to Lessee unless and until Lessee shall have received notice of such assignment, disclosing the name and address of such assignee. During the term of this Agreement, Lessee shall keep a complete and accurate record of all such assignments in form necessary to comply with the United States Internal Revenue Code of 1986, Section 149 (a), and the regulations, proposed or existing, from time to time promulgated thereunder.

17. Personal Property. The Property is and shall at all times be and remain personal property.

18. Title. Upon acceptance of the Property by Lessee hereunder, Lessee shall have title to the Property during the term of this Agreement; however, in the event of **(i)** an Event of Default hereunder and for so long as such Event of Default is continuing, or **(ii)** termination of this Agreement pursuant to the provisions of Section 2 hereof, title shall be reverted immediately in and shall revert to Lessor free of any right, title or interest of Lessee unless Lessor elects otherwise.

19. Lessor's Right to Perform for Lessee. If Lessee fails to make any payment or perform or comply with any of its covenants or obligations hereunder, Lessor may, but shall not be required to, make such payment or perform or comply with such covenants and obligations on behalf of Lessee, and the amount of any such payment and the expenses (including but not limited to reasonable attorneys' fees) incurred by Lessor in performing or complying with such covenants and obligations, as the case may be, together with interest thereon at the Default Rate, shall be payable by Lessee upon demand.

20. Interest on Default. If Lessee fails to pay any Lease Payment specified in Section 1 hereof within ten (10) days after the due date thereof, Lessee shall pay to Lessor interest on such delinquent payment from the due date until paid at the lesser of 10% per annum or the highest lawful rate (the "Default Rate").

21. Notices. Any notices to be given or to be served upon any party hereto in connection with this Agreement must be in writing and may be given by certified or registered mail, and shall be deemed to have been given and received forty-eight (48) hours after a registered or certified letter containing such notice, postage prepaid, is deposited in the United States mail, and if given otherwise shall be deemed to have been given when delivered to and received by the party to whom it is addressed. Such notice shall be given to the parties at their respective addresses designated on the signature page of this Agreement or at such other address as either party may hereafter designate.

22. Security Interest. As security for Lessee's covenants and obligations hereunder, Lessee hereby grants to Lessor, and its successors, a security interest in the Property, all accessions thereto and proceeds therefrom, and, in addition to Lessor's rights hereunder, all of the rights and benefits of a secured party under the Uniform Commercial Code as in effect from time to time hereafter in the State in which the Property is located or any other State which may have jurisdiction over the Property. Lessee agrees to execute, acknowledge and deliver to Lessor in recordable form upon request financing statements or any other instruments with respect to the Property or this Agreement considered necessary or desirable by Lessor to perfect and continue the security interest granted herein in accordance with the laws of the applicable jurisdiction. Lessee hereby authorizes Lessor or its agent/assigns to sign and execute on its behalf, any and all necessary UCC-1 forms to perfect the Purchase Money Security interest herein granted to Lessor.

23. Tax Exemption.

(a) Lessee covenants and agrees that it will (i) complete and timely file an IRS Form 8038-G with the Internal Revenue Service ("IRS") in accordance with Section 149(e) of the Code; (ii) not permit the Property to be directly or indirectly used for a private business use within the meaning of Section 141 of the Code including, without limitation, use by private persons or entities pursuant to contractual arrangements which do not satisfy IRS guidelines for permitted management contracts, as the same may be amended from time to time; (iii) invest and reinvest moneys related to this Agreement from time to time in a manner that will not cause this Agreement to be classified as an "arbitrage bond" within the meaning of Section 148(a) of the Code; (iv) rebate an amount equal to excess earnings on invested proceeds of this Agreement to the federal government if required by, and in accordance with, Section 148(f) of the Code and make the determinations and maintain the records required by the Code; and (v) comply with all provisions and regulations applicable to establishing and maintaining the excludability of the interest component of the Rental Payments from federal gross income pursuant to Section 103 of the Code.

(b) Lessee certifies that it does reasonably anticipate that not more than \$10,000,000 of "qualified tax-exempt obligations" as that term is defined in Section 265(b)(3) of the Code, will be issued by it and any subordinate entities during the current calendar year. Further, Lessee designates this issue as comprising a portion of the \$10 million in aggregate issues to be designated as "qualified tax exempt obligations" eligible for the exception contained in Section 265(b)(3) of the Code allowing for an exception to the general rule of the Code which provides for a total disallowance of a deduction for interest expense allocable to the carrying of tax exempt obligations.

(c) If Lessor either (i) receives notice, in any form, from the Internal Revenue Service; or (ii) reasonably determines, based on an opinion of independent tax counsel selected by Lessor and approved by Lessee, which approval Lessee shall not unreasonably withhold; that Lessor may not exclude any interest paid hereunder from Federal gross income because Lessee breached a covenant contained herein, then Lessee shall pay to Lessor, within thirty (30) days after Lessor notifies Lessee of such determination, an amount which, with respect to rental payments previously paid and taking into account all penalties, fines, interest and additions to tax (including all federal, state and local taxes imposed on the interest component of all Lease Payments due through the date of such event), will restore to Lessor its after-tax yield (assuming tax at the highest marginal tax rate and taking into account the time of receipt of payments and reinvestment at the after-tax yield rate) on the transaction evidenced by this Agreement through the date of such payment. Additionally, Lessee agrees that upon the occurrence of such an event, it shall pay as additional rent to Lessor, on each succeeding Lease Payment due date, such amount as will maintain such after-tax yield to Lessor.

24. Continuing Disclosure. Specifically and without limitation, Lessee agrees to provide audited financial statements, prepared by a certified public accountant not later than six (6) months after and as of the end of each fiscal year. Periodic financial statement shall include a combined balance sheet as of the end of each such period, and a combined statement of revenues, expenditures and changes in fund balances, from the beginning of the then fiscal year to the end of such period certified as correct by one of Lessee's authorized agents. If Lessee has subsidiaries, the financial statements required will be provided on a consolidated and consolidation basis.

25. Miscellaneous.

(a) Lessee shall, whenever requested, advise Lessor of the exact location and condition of the Property and shall give the Lessor immediate notice of any attachment or other judicial process affecting the Property, and indemnify and save Lessor harmless from any loss or damage caused thereby. Lessor may, for the purpose of inspection at all reasonable times enter upon any job, building or place where the Property and the books and records of the Lessee with respect thereto are located.

(b) Time is of the essence. No covenant or obligations hereunder to be performed by Lessee may be waived except by the written consent of Lessor, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude Lessor from invoking such remedy at any later time prior to Lessee's cure of the condition giving rise to such remedy. Lessor's rights hereunder are cumulative and not alternative.

(c) This Agreement shall be construed in accordance with, and governed by, the laws of the State in which the Property is located.

(d) This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, altered or changed in any respect except by a written document signed by both Lessor and Lessee.

(e) Any term or provision of this Agreement found to be prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, invalidating the remainder of this Agreement.

(f) The Lessor hereunder shall have the right at any time or times, by notice to Lessee, to designate or appoint any person or entity to act as agent or trustee for Lessor for any purposes hereunder.

(g) All transportation charges shall be borne by Lessee. Lessee will immediately notify Lessor of any change occurring in or to the Property, of a change in Lessee's address, or in any fact or circumstance warranted or represented by Lessee to Lessor, or if any Event of Default occurs.

(h) Use of the neuter gender herein is for purposes of convenience only and shall be deemed to mean and include the masculine or feminine gender whenever and wherever appropriate.

(i) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.


(j) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns, where permitted by this Agreement.

(k) This Agreement may be executed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument, and in making proof of this Agreement it shall not be necessary to produce or account for more than one such counterpart. A signed and delivered facsimile copy of this Agreement, or a signed copy transmitted electronically in either a tagged image format file (TIFF) or a portable document format (PDF), shall be binding on the party signing the facsimile or electronically transmitted copy, and such copy shall have the same effect as the original. Any party who delivers such a signature page agrees to later deliver an original counterpart to the party which requests it.

[Signature Page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the 9 day of August in the year 2018.

Lessor: Government Capital Corporation


Authorized Signature
345 Miron Drive
Southlake, TX 76092


Keith Miller
Director of
Operations

Witness Signature: Kim Strange

Print Name: Kim Strange

Print Title: Team Lead-Proc. Dept.

Lessee: McCreary County Water District


Stephen Whitaker, Manager/Superintendent
19 Crit King Road
Whitley, KS 42653

Witness Signature: Kathy Troxell

Print Name: Kathy Troxell

Print Title: Office Assistant

EXHIBIT A
DESCRIPTION OF PROPERTY
MUNICIPAL LEASE-PURCHASE AGREEMENT No.8306 (THE "AGREEMENT")
BY AND BETWEEN
Lessor, Government Capital Corporation and **Lessee**, McCreary County Water District
Dated as of June 29, 2018

QTY	DESCRIPTION
Water Meters	
5,600	Kamstrup FlowIQ 2100 RF – 5/8 in x 3/4 in
24	Kamstrup FlowIQ 3101 RF – 1 in.
16	FlowIQ 3101, Internal Kamstrup RF – 1 ½ in
48	FlowIQ 3101, Internal Kamstrup RF – 2 in x 17 in
2	FlowIQ 3101, Internal Kamstrup RF – 2 in x 15 1/4 in
10	External Antenna, 5 ft cable length
2	READY Converter, 3 Channel

PROPERTY LOCATION:
McCreary County Water District
Throughout the District

EXHIBIT B

>> SCHEDULE OF PAYMENTS & OPTION TO PURCHASE PRICE <<
MUNICIPAL LEASE-PURCHASE AGREEMENT No.8306 (THE "AGREEMENT")
BY AND BETWEEN

Lessor: Government Capital Corporation and **Lessee:** McCreary County Water District
Schedule dated as of September 7, 2018

PMT NO.	PMT DATE MO DAY YR	TOTAL PAYMENT	INTEREST PAID	PRINCIPAL PAID	OPTION TO PURCHASE after pmt on this line
1	8/1/2019	\$97,666.78	\$28,311.82	\$69,354.96	N/A
2	8/1/2020	\$97,666.78	\$28,721.36	\$68,945.42	N/A
3	8/1/2021	\$97,666.78	\$26,001.30	\$71,665.48	N/A
4	8/1/2022	\$97,666.78	\$23,173.92	\$74,492.86	N/A
5	8/1/2023	\$97,666.78	\$20,235.00	\$77,431.78	\$439,428.88
6	8/1/2024	\$97,666.78	\$17,180.13	\$80,486.65	\$357,728.89
7	8/1/2025	\$97,666.78	\$14,004.74	\$83,662.04	\$273,046.85
8	8/1/2026	\$97,666.78	\$10,704.07	\$86,962.71	\$185,273.92
9	8/1/2027	\$97,666.78	\$7,273.18	\$90,393.60	\$94,297.28
10	8/1/2028	\$97,666.78	\$3,706.94	\$93,959.84	\$1.00
Grand Totals		\$976,667.80	\$179,312.46	\$797,355.34	

Rate: 3.945%

EXHIBIT H

KENTUCKY INFRASTRUCTURE AUTHORITY REPAYMENT SCHEDULE

LOAN #F04-03

McCreary County Water District

SUBJECT TO CHANGE WITH ADDITIONAL DRAWS

1.00% Rate
\$40,235.29 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 Reser
12/01/06	\$32,958.29	\$6,670.58	1.00%	\$39,628.87	\$1,819.25	\$0.00	\$41,448.12	\$1,422,441.71	\$4,740.00	\$4,740.00
06/01/07	\$33,123.08	\$7,112.21	1.00%	\$40,235.29	\$1,778.05	\$0.00	\$42,013.34	\$1,389,318.63	\$0.00	\$4,740.00
12/01/07	\$33,288.70	\$6,946.59	1.00%	\$40,235.29	\$1,736.65	\$0.00	\$41,971.94	\$1,356,029.94	\$4,740.00	\$9,41
06/01/08	\$33,455.14	\$6,780.15	1.00%	\$40,235.29	\$1,695.04	\$0.00	\$41,930.33	\$1,322,574.80	\$0.00	\$9,41
12/01/08	\$33,622.42	\$6,612.87	1.00%	\$40,235.29	\$1,653.22	\$0.00	\$41,888.51	\$1,288,952.38	\$4,740.00	\$14,22
06/01/09	\$33,790.53	\$6,444.76	1.00%	\$40,235.29	\$1,611.19	\$0.00	\$41,846.48	\$1,255,161.85	\$0.00	\$14,22
12/01/09	\$33,959.48	\$6,275.81	1.00%	\$40,235.29	\$1,568.95	\$0.00	\$41,804.24	\$1,221,202.38	\$4,740.00	\$18,96
06/01/10	\$34,129.28	\$6,106.01	1.00%	\$40,235.29	\$1,526.50	\$0.00	\$41,761.79	\$1,187,073.10	\$0.00	\$18,96
12/01/10	\$34,299.92	\$5,935.37	1.00%	\$40,235.29	\$1,483.84	\$0.00	\$41,719.13	\$1,152,773.18	\$4,740.00	\$23,70
06/01/11	\$34,471.42	\$5,763.87	1.00%	\$40,235.29	\$1,440.97	\$0.00	\$41,676.25	\$1,118,301.76	\$0.00	\$23,70
12/01/11	\$34,643.78	\$5,591.51	1.00%	\$40,235.29	\$1,397.88	\$0.00	\$41,633.17	\$1,083,657.98	\$4,740.00	\$28,44
06/01/12	\$34,817.00	\$5,418.29	1.00%	\$40,235.29	\$1,354.57	\$0.00	\$41,589.86	\$1,048,840.99	\$0.00	\$28,44
12/01/12	\$34,991.09	\$5,244.20	1.00%	\$40,235.29	\$1,311.05	\$0.00	\$41,546.34	\$1,013,849.90	\$4,740.00	\$33,18
06/01/13	\$35,166.04	\$5,069.25	1.00%	\$40,235.29	\$1,267.31	\$0.00	\$41,502.60	\$978,683.86	\$0.00	\$33,18
12/01/13	\$35,341.87	\$4,893.42	1.00%	\$40,235.29	\$1,223.35	\$0.00	\$41,458.64	\$943,341.99	\$4,740.00	\$37,92
06/01/14	\$35,518.58	\$4,716.71	1.00%	\$40,235.29	\$1,179.18	\$0.00	\$41,414.47	\$907,823.41	\$0.00	\$37,92
12/01/14	\$35,696.17	\$4,539.12	1.00%	\$40,235.29	\$1,134.78	\$0.00	\$41,370.07	\$872,127.25	\$4,740.00	\$42,66
06/01/15	\$35,874.65	\$4,360.64	1.00%	\$40,235.29	\$1,090.16	\$0.00	\$41,325.45	\$836,252.60	\$0.00	\$42,66
12/01/15	\$36,054.03	\$4,181.26	1.00%	\$40,235.29	\$1,045.32	\$0.00	\$41,280.60	\$800,198.57	\$4,740.00	\$47,40
06/01/16	\$36,234.30	\$4,000.99	1.00%	\$40,235.29	\$1,000.25	\$0.00	\$41,235.54	\$763,964.27	\$0.00	\$47,40
12/01/16	\$36,415.47	\$3,819.82	1.00%	\$40,235.29	\$954.96	\$0.00	\$41,190.24	\$727,548.81	\$0.00	\$47,40
06/01/17	\$36,597.55	\$3,637.74	1.00%	\$40,235.29	\$909.44	\$0.00	\$41,144.72	\$690,951.26	\$0.00	\$47,40
12/01/17	\$36,780.53	\$3,454.76	1.00%	\$40,235.29	\$863.69	\$0.00	\$41,098.98	\$654,170.73	\$0.00	\$47,40
06/01/18	\$36,964.44	\$3,270.85	1.00%	\$40,235.29	\$817.71	\$0.00	\$41,053.00	\$617,206.29	\$0.00	\$47,40
12/01/18	\$37,149.26	\$3,086.03	1.00%	\$40,235.29	\$771.51	\$0.00	\$41,006.80	\$580,057.03	\$0.00	\$47,40
06/01/19	\$37,335.00	\$2,900.29	1.00%	\$40,235.29	\$725.07	\$0.00	\$40,960.36	\$542,722.04	\$0.00	\$47,40
12/01/19	\$37,521.68	\$2,713.61	1.00%	\$40,235.29	\$678.40	\$0.00	\$40,913.69	\$505,200.36	\$0.00	\$47,40
06/01/20	\$37,709.29	\$2,526.00	1.00%	\$40,235.29	\$631.50	\$0.00	\$40,866.79	\$467,491.07	\$0.00	\$47,40
12/01/20	\$37,897.83	\$2,337.46	1.00%	\$40,235.29	\$584.36	\$0.00	\$40,819.65	\$429,593.24	\$0.00	\$47,40
06/01/21	\$38,087.32	\$2,147.97	1.00%	\$40,235.29	\$536.99	\$0.00	\$40,772.28	\$391,505.92	\$0.00	\$47,40
12/01/21	\$38,277.76	\$1,957.53	1.00%	\$40,235.29	\$489.38	\$0.00	\$40,724.67	\$353,228.17	\$0.00	\$47,40
06/01/22	\$38,469.15	\$1,766.14	1.00%	\$40,235.29	\$441.54	\$0.00	\$40,676.82	\$314,759.02	\$0.00	\$47,40
12/01/22	\$38,661.49	\$1,573.80	1.00%	\$40,235.29	\$393.45	\$0.00	\$40,628.74	\$276,097.53	\$0.00	\$47,40
06/01/23	\$38,854.80	\$1,380.49	1.00%	\$40,235.29	\$345.12	\$0.00	\$40,580.41	\$237,242.73	\$0.00	\$47,40
12/01/23	\$39,049.08	\$1,186.21	1.00%	\$40,235.29	\$296.55	\$0.00	\$40,531.84	\$198,193.66	\$0.00	\$47,40
06/01/24	\$39,244.32	\$990.97	1.00%	\$40,235.29	\$247.74	\$0.00	\$40,483.03	\$158,949.34	\$0.00	\$47,40
12/01/24	\$39,440.54	\$794.75	1.00%	\$40,235.29	\$198.69	\$0.00	\$40,433.97	\$119,508.80	\$0.00	\$47,40
06/01/25	\$39,637.75	\$597.54	1.00%	\$40,235.29	\$149.39	\$0.00	\$40,384.67	\$79,871.05	\$0.00	\$47,40
12/01/25	\$39,835.93	\$399.36	1.00%	\$40,235.29	\$99.84	\$0.00	\$40,335.13	\$40,035.12	\$0.00	\$47,40
76	\$40,035.13	\$200.16	1.00%	\$40,235.29	\$50.04	\$0.00	\$40,285.33	(\$0.00)	\$0.00	\$47,40
	\$1,455,400.00	\$153,405.09		\$1,608,805.10						

KENTUCKY INFRASTRUCTURE AUTHORITY
REPAYMENT SCHEDULE
LOAN #F21-025
MCCREARY COUNTY WATER DISTRICT
SUBJECT TO CHANGE WITH ADDITIONAL DRAWS

0.25% Interest
\$1,904.09 P & I Calculation

Original Loan Amount \$ 270,000.00
Principal Forgiveness \$ (135,000.00)
Repayment Amount \$ 135,000.00

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
06/01/23	\$1,766.59	\$142.68	0.25%	\$1,909.27	\$209.93	\$0.00	\$2,119.20	\$108,233.41	\$0.00	\$0.00
12/01/23	\$1,768.80	\$135.29	0.25%	\$1,904.09	\$135.29	\$0.00	\$2,039.38	\$106,464.61	\$700.00	\$700.00
06/01/24	\$1,771.01	\$133.08	0.25%	\$1,904.09	\$133.08	\$0.00	\$2,037.17	\$104,693.60	\$0.00	\$700.00
12/01/24	\$1,773.22	\$130.87	0.25%	\$1,904.09	\$130.87	\$0.00	\$2,034.96	\$102,920.38	\$700.00	\$1,400.00
06/01/25	\$1,775.44	\$128.65	0.25%	\$1,904.09	\$128.65	\$0.00	\$2,032.74	\$101,144.94	\$0.00	\$1,400.00
12/01/25	\$1,777.66	\$126.43	0.25%	\$1,904.09	\$126.43	\$0.00	\$2,030.52	\$99,367.28	\$700.00	\$2,100.00
06/01/26	\$1,779.88	\$124.21	0.25%	\$1,904.09	\$124.21	\$0.00	\$2,028.30	\$97,587.40	\$0.00	\$2,100.00
12/01/26	\$1,782.11	\$121.98	0.25%	\$1,904.09	\$121.98	\$0.00	\$2,026.07	\$95,805.29	\$700.00	\$2,800.00
06/01/27	\$1,784.33	\$119.76	0.25%	\$1,904.09	\$119.76	\$0.00	\$2,023.85	\$94,020.96	\$0.00	\$2,800.00
12/01/27	\$1,786.56	\$117.53	0.25%	\$1,904.09	\$117.53	\$0.00	\$2,021.62	\$92,234.40	\$700.00	\$3,500.00
06/01/28	\$1,788.80	\$115.29	0.25%	\$1,904.09	\$115.29	\$0.00	\$2,019.38	\$90,445.60	\$0.00	\$3,500.00
12/01/28	\$1,791.03	\$113.06	0.25%	\$1,904.09	\$113.06	\$0.00	\$2,017.15	\$88,654.57	\$700.00	\$4,200.00
06/01/29	\$1,793.27	\$110.82	0.25%	\$1,904.09	\$110.82	\$0.00	\$2,014.91	\$86,861.30	\$0.00	\$4,200.00
12/01/29	\$1,795.51	\$108.58	0.25%	\$1,904.09	\$108.58	\$0.00	\$2,012.67	\$85,065.79	\$700.00	\$4,900.00
06/01/30	\$1,797.76	\$106.33	0.25%	\$1,904.09	\$106.33	\$0.00	\$2,010.42	\$83,268.03	\$0.00	\$4,900.00
12/01/30	\$1,800.00	\$104.09	0.25%	\$1,904.09	\$104.09	\$0.00	\$2,008.18	\$81,468.03	\$700.00	\$5,600.00
06/01/31	\$1,802.25	\$101.84	0.25%	\$1,904.09	\$101.84	\$0.00	\$2,005.93	\$79,665.78	\$0.00	\$5,600.00
12/01/31	\$1,804.51	\$99.58	0.25%	\$1,904.09	\$99.58	\$0.00	\$2,003.67	\$77,861.27	\$700.00	\$6,300.00
06/01/32	\$1,806.76	\$97.33	0.25%	\$1,904.09	\$97.33	\$0.00	\$2,001.42	\$76,054.51	\$0.00	\$6,300.00
12/01/32	\$1,809.02	\$95.07	0.25%	\$1,904.09	\$95.07	\$0.00	\$1,999.16	\$74,245.49	\$700.00	\$7,000.00
06/01/33	\$1,811.28	\$92.81	0.25%	\$1,904.09	\$92.81	\$0.00	\$1,996.90	\$72,434.21	\$0.00	\$7,000.00
12/01/33	\$1,813.55	\$90.54	0.25%	\$1,904.09	\$90.54	\$0.00	\$1,994.63	\$70,620.66	\$700.00	\$7,700.00
06/01/34	\$1,815.81	\$88.28	0.25%	\$1,904.09	\$88.28	\$0.00	\$1,992.37	\$68,804.85	\$0.00	\$7,700.00
12/01/34	\$1,818.08	\$86.01	0.25%	\$1,904.09	\$86.01	\$0.00	\$1,990.10	\$66,986.77	\$700.00	\$8,400.00
06/01/35	\$1,820.36	\$83.73	0.25%	\$1,904.09	\$83.73	\$0.00	\$1,987.82	\$65,166.41	\$0.00	\$8,400.00
12/01/35	\$1,822.63	\$81.46	0.25%	\$1,904.09	\$81.46	\$0.00	\$1,985.55	\$63,343.78	\$700.00	\$9,100.00
06/01/36	\$1,824.91	\$79.18	0.25%	\$1,904.09	\$79.18	\$0.00	\$1,983.27	\$61,518.87	\$0.00	\$9,100.00
12/01/36	\$1,827.19	\$76.90	0.25%	\$1,904.09	\$76.90	\$0.00	\$1,980.99	\$59,691.68	\$700.00	\$9,800.00
06/01/37	\$1,829.48	\$74.61	0.25%	\$1,904.09	\$74.61	\$0.00	\$1,978.70	\$57,862.20	\$0.00	\$9,800.00
12/01/37	\$1,831.76	\$72.33	0.25%	\$1,904.09	\$72.33	\$0.00	\$1,976.42	\$56,030.44	\$700.00	\$10,500.00
06/01/38	\$1,834.05	\$70.04	0.25%	\$1,904.09	\$70.04	\$0.00	\$1,974.13	\$54,196.39	\$0.00	\$10,500.00
12/01/38	\$1,836.34	\$67.75	0.25%	\$1,904.09	\$67.75	\$0.00	\$1,971.84	\$52,360.05	\$700.00	\$11,200.00
06/01/39	\$1,838.64	\$65.45	0.25%	\$1,904.09	\$65.45	\$0.00	\$1,969.54	\$50,521.41	\$0.00	\$11,200.00
12/01/39	\$1,840.94	\$63.15	0.25%	\$1,904.09	\$63.15	\$0.00	\$1,967.24	\$48,680.47	\$700.00	\$11,900.00
06/01/40	\$1,843.24	\$60.85	0.25%	\$1,904.09	\$60.85	\$0.00	\$1,964.94	\$46,837.23	\$0.00	\$11,900.00
12/01/40	\$1,845.54	\$58.55	0.25%	\$1,904.09	\$58.55	\$0.00	\$1,962.64	\$44,991.69	\$700.00	\$12,600.00
06/01/41	\$1,847.85	\$56.24	0.25%	\$1,904.09	\$56.24	\$0.00	\$1,960.33	\$43,143.84	\$0.00	\$12,600.00
12/01/41	\$1,850.16	\$53.93	0.25%	\$1,904.09	\$53.93	\$0.00	\$1,958.02	\$41,293.68	\$700.00	\$13,300.00
06/01/42	\$1,852.47	\$51.62	0.25%	\$1,904.09	\$51.62	\$0.00	\$1,955.71	\$39,441.21	\$0.00	\$13,300.00
12/01/42	\$1,854.79	\$49.30	0.25%	\$1,904.09	\$49.30	\$0.00	\$1,953.39	\$37,586.42	\$700.00	\$14,000.00
06/01/43	\$1,857.11	\$46.98	0.25%	\$1,904.09	\$46.98	\$0.00	\$1,951.07	\$35,729.31	\$0.00	\$14,000.00

12/01/43	\$1,859.43	\$44.66	0.25%	\$1,904.09	\$44.66	\$0.00	\$1,948.75	\$33,869.88	\$0.00	\$14,000.00
06/01/44	\$1,861.75	\$42.34	0.25%	\$1,904.09	\$42.34	\$0.00	\$1,946.43	\$32,008.13	\$0.00	\$14,000.00
12/01/44	\$1,864.08	\$40.01	0.25%	\$1,904.09	\$40.01	\$0.00	\$1,944.10	\$30,144.05	\$0.00	\$14,000.00
06/01/45	\$1,866.41	\$37.68	0.25%	\$1,904.09	\$37.68	\$0.00	\$1,941.77	\$28,277.64	\$0.00	\$14,000.00
12/01/45	\$1,868.74	\$35.35	0.25%	\$1,904.09	\$35.35	\$0.00	\$1,939.44	\$26,408.90	\$0.00	\$14,000.00
06/01/46	\$1,871.08	\$33.01	0.25%	\$1,904.09	\$33.01	\$0.00	\$1,937.10	\$24,537.82	\$0.00	\$14,000.00
12/01/46	\$1,873.42	\$30.67	0.25%	\$1,904.09	\$30.67	\$0.00	\$1,934.76	\$22,664.40	\$0.00	\$14,000.00
06/01/47	\$1,875.76	\$28.33	0.25%	\$1,904.09	\$28.33	\$0.00	\$1,932.42	\$20,788.64	\$0.00	\$14,000.00
12/01/47	\$1,878.10	\$25.99	0.25%	\$1,904.09	\$25.99	\$0.00	\$1,930.08	\$18,910.54	\$0.00	\$14,000.00
06/01/48	\$1,880.45	\$23.64	0.25%	\$1,904.09	\$23.64	\$0.00	\$1,927.73	\$17,030.09	\$0.00	\$14,000.00
12/01/48	\$1,882.80	\$21.29	0.25%	\$1,904.09	\$21.29	\$0.00	\$1,925.38	\$15,147.29	\$0.00	\$14,000.00
06/01/49	\$1,885.16	\$18.93	0.25%	\$1,904.09	\$18.93	\$0.00	\$1,923.02	\$13,262.13	\$0.00	\$14,000.00
12/01/49	\$1,887.51	\$16.58	0.25%	\$1,904.09	\$16.58	\$0.00	\$1,920.67	\$11,374.62	\$0.00	\$14,000.00
06/01/50	\$1,889.87	\$14.22	0.25%	\$1,904.09	\$14.22	\$0.00	\$1,918.31	\$9,484.75	\$0.00	\$14,000.00
12/01/50	\$1,892.23	\$11.86	0.25%	\$1,904.09	\$11.86	\$0.00	\$1,915.95	\$7,592.52	\$0.00	\$14,000.00
06/01/51	\$1,894.60	\$9.49	0.25%	\$1,904.09	\$9.49	\$0.00	\$1,913.58	\$5,697.92	\$0.00	\$14,000.00
12/01/51	\$1,896.97	\$7.12	0.25%	\$1,904.09	\$7.12	\$0.00	\$1,911.21	\$3,800.95	\$0.00	\$14,000.00
06/01/52	\$1,899.34	\$4.75	0.25%	\$1,904.09	\$4.75	\$0.00	\$1,908.84	\$1,901.61	\$0.00	\$14,000.00
12/01/52	\$1,901.61	\$2.48	0.25%	\$1,904.09	\$2.38	\$0.00	\$1,906.47	\$0.00	\$0.00	\$14,000.00

Totals	\$110,000.00	\$4,250.58		\$114,250.58	\$4,317.73	\$0.00	\$118,568.31		\$14,000.00	
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KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2012 D

Borrower: McCreary County Water District
Closing Date: 05/30/12

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total
07/01/12						
01/01/13	90,000.00	4.200%	119,204.63	450.00	209,654.63	
07/01/13			87,142.50		87,142.50	296,797.13
01/01/14	125,000.00	4.200%	87,142.50	450.00	212,592.50	
07/01/14			84,517.50		84,517.50	297,110.00
01/01/15	130,000.00	4.200%	84,517.50	450.00	214,967.50	
07/01/15			81,787.50		81,787.50	296,755.00
01/01/16	135,000.00	3.200%	81,787.50	450.00	217,237.50	
07/01/16			79,627.50		79,627.50	296,865.00
01/01/17	135,000.00	2.200%	79,627.50	450.00	215,077.50	
07/01/17			78,142.50		78,142.50	293,220.00
01/01/18	140,000.00	3.200%	78,142.50	450.00	218,592.50	
07/01/18			75,902.50		75,902.50	294,495.00
01/01/19	145,000.00	3.200%	75,902.50	450.00	221,352.50	
07/01/19			73,582.50		73,582.50	294,935.00
01/01/20	150,000.00	3.200%	73,582.50	450.00	224,032.50	
07/01/20			71,182.50		71,182.50	295,215.00
01/01/21	155,000.00	2.950%	71,182.50	450.00	226,632.50	
07/01/21			68,896.25		68,896.25	295,528.75
01/01/22	160,000.00	3.200%	68,896.25	450.00	229,346.25	
07/01/22			66,336.25		66,336.25	295,682.50
01/01/23	165,000.00	3.300%	66,336.25	450.00	231,786.25	
07/01/23			63,613.75		63,613.75	295,400.00
01/01/24	165,000.00	3.400%	63,613.75	450.00	229,063.75	
07/01/24			60,808.75		60,808.75	289,872.50
01/01/25	175,000.00	3.600%	60,808.75	450.00	236,258.75	
07/01/25			57,658.75		57,658.75	293,917.50
01/01/26	180,000.00	3.600%	57,658.75	450.00	238,108.75	
07/01/26			54,418.75		54,418.75	292,527.50
01/01/27	185,000.00	3.700%	54,418.75	450.00	239,868.75	
07/01/27			50,996.25		50,996.25	290,865.00
01/01/28	195,000.00	3.700%	50,996.25	450.00	246,446.25	
07/01/28			47,388.75		47,388.75	293,835.00
01/01/29	200,000.00	3.700%	47,388.75	450.00	247,838.75	
07/01/29			43,688.75		43,688.75	291,527.50
01/01/30	210,000.00	3.825%	43,688.75	450.00	254,138.75	
07/01/30			39,672.50		39,672.50	293,811.25
01/01/31	215,000.00	3.825%	39,672.50	450.00	255,122.50	
07/01/31			35,560.63		35,560.63	290,683.13
01/01/32	225,000.00	3.950%	35,560.63	450.00	261,010.63	
07/01/32			31,116.88		31,116.88	292,127.51
01/01/33	235,000.00	3.950%	31,116.88	450.00	266,566.88	
07/01/33			26,475.63		26,475.63	293,042.51
01/01/34	195,000.00	3.950%	26,475.63	450.00	221,925.63	
07/01/34			22,624.38		22,624.38	244,550.01
01/01/35	200,000.00	3.950%	22,624.38	450.00	223,074.38	
07/01/35			18,674.38		18,674.38	241,748.76
01/01/36	205,000.00	4.200%	18,674.38	450.00	224,124.38	
07/01/36			14,369.38		14,369.38	238,493.76
01/01/37	195,000.00	4.200%	14,369.38	450.00	209,819.38	
07/01/37			10,274.38		10,274.38	220,093.76
01/01/38	150,000.00	4.200%	10,274.38	450.00	160,724.38	
07/01/38			7,124.38		7,124.38	167,848.76
01/01/39	155,000.00	4.200%	7,124.38	450.00	162,574.38	
07/01/39			3,869.38		3,869.38	166,443.76
01/01/40	160,000.00	4.200%	3,869.38	450.00	164,319.38	
07/01/40			509.38		509.38	164,828.76
01/01/41	25,000.00	4.075%	509.38	450.00	25,959.38	
						25,959.38
Totals	<u>4,800,000.00</u>		<u>2,831,129.73</u>	<u>13,050.00</u>	<u>7,644,179.73</u>	

KRWFC Flexible Term Program Series 2012 D
Sinking Fund Payment Schedule

Borrower: McCreary County Water District
Closing Date: 05/30/12

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
7/12-1/13	12,857.14	17,029.23	29,886.38
2/13-7/13	10,416.67	14,523.75	24,940.42
8/13-1/14	10,416.67	14,523.75	24,940.42
2/14-8/14	10,833.33	14,086.25	24,919.58
8/14-1/15	10,833.33	14,086.25	24,919.58
2/15-7/15	11,250.00	13,631.25	24,881.25
8/15-1/16	11,250.00	13,631.25	24,881.25
2/16-7/16	11,250.00	13,271.25	24,521.25
8/16-1/17	11,250.00	13,271.25	24,521.25
2/17-7/17	11,666.67	13,023.75	24,690.42
8/17-1/18	11,666.67	13,023.75	24,690.42
2/18-7/18	12,083.33	12,650.42	24,733.75
8/18-1/19	12,083.33	12,650.42	24,733.75
2/19-7/19	12,500.00	12,263.75	24,763.75
8/19-1-20	12,500.00	12,263.75	24,763.75
2/20-7/20	12,916.67	11,863.75	24,780.42
8/20-1/21	12,916.67	11,863.75	24,780.42
2/21-7/21	13,333.33	11,482.71	24,816.04
8/21-1/22	13,333.33	11,482.71	24,816.04
2/22-7/22	13,750.00	11,056.04	24,806.04
8/22-1/23	13,750.00	11,056.04	24,806.04
2/23-7/23	13,750.00	10,602.29	24,352.29
8/23-1/24	13,750.00	10,602.29	24,352.29
2/24-7/24	14,583.33	10,134.79	24,718.13
8/24-1/25	14,583.33	10,134.79	24,718.13
2/25-7/25	15,000.00	9,609.79	24,609.79
8/25-1/26	15,000.00	9,609.79	24,609.79
2/26-7/26	15,416.67	9,069.79	24,486.46
8/26-1/27	15,416.67	9,069.79	24,486.46
2/27-7/27	16,250.00	8,499.38	24,749.38
8/27-1/28	16,250.00	8,499.38	24,749.38
2/28-7/28	16,666.67	7,898.13	24,564.79
8/28-1/29	16,666.67	7,898.13	24,564.79
2/29-7/29	17,500.00	7,281.46	24,781.46
8/29-1/30	17,500.00	7,281.46	24,781.46
2/30-7/30	17,916.67	6,612.08	24,528.75
8/30-2/31	17,916.67	6,612.08	24,528.75
2/31-7/31	18,750.00	5,926.77	24,676.77
8/31-1/32	18,750.00	5,926.77	24,676.77
2/32-7/32	19,583.33	5,186.15	24,769.48
8/32-1/33	19,583.33	5,186.15	24,769.48
2/33-7/33	16,250.00	4,412.61	20,662.61
8/33-1/34	16,250.00	4,412.61	20,662.61
2/34-7/34	16,666.67	3,770.73	20,437.40
8/34-1/35	16,666.67	3,770.73	20,437.40
2/35-7/35	17,083.33	3,112.40	20,195.73
8/35-1/36	17,083.33	3,112.40	20,195.73
2/36-7/36	16,250.00	2,394.90	18,644.90
8/36-1/37	16,250.00	2,394.90	18,644.90
2/37-7/37	12,500.00	1,712.40	14,212.40
8/37-1/38	12,500.00	1,712.40	14,212.40
2/38-7/38	12,916.67	1,187.40	14,104.06
8/38-1/39	12,916.67	1,187.40	14,104.06
2/39-7/39	13,333.33	644.90	13,978.23
8/39-1/40	13,333.33	644.90	13,978.23
2/41-7/41	2,083.33	84.90	2,168.23
8/41-2/41	2,083.33	84.90	2,168.23
	<u>4,800,000.00</u>	<u>2,831,129.73</u>	<u>7,631,129.73</u>

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2012 D
Refunding of Waterworks Revenue Bonds (Series 1993, 1997, and 2001)

Borrower: McCreary County Water District
Closing Date: 05/30/12

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total
07/01/12						
01/01/13	60,000.00	4.200%	79,550.92	300.00	139,850.92	
07/01/13			58,155.63		58,155.63	198,006.55
01/01/14	85,000.00	4.200%	58,155.63	300.00	143,455.63	
07/01/14			56,370.63		56,370.63	199,826.26
01/01/15	85,000.00	4.200%	56,370.63	300.00	141,670.63	
07/01/15			54,585.63		54,585.63	196,256.26
01/01/16	90,000.00	3.200%	54,585.63	300.00	144,885.63	
07/01/16			53,145.63		53,145.63	198,031.26
01/01/17	90,000.00	2.200%	53,145.63	300.00	143,445.63	
07/01/17			52,155.63		52,155.63	195,601.26
01/01/18	95,000.00	3.200%	52,155.63	300.00	147,455.63	
07/01/18			50,635.63		50,635.63	198,091.26
01/01/19	100,000.00	3.200%	50,635.63	300.00	150,935.63	
07/01/19			49,035.63		49,035.63	199,971.26
01/01/20	100,000.00	3.200%	49,035.63	300.00	149,335.63	
07/01/20			47,435.63		47,435.63	196,771.26
01/01/21	105,000.00	2.950%	47,435.63	300.00	152,735.63	
07/01/21			45,886.88		45,886.88	198,622.51
01/01/22	110,000.00	3.200%	45,886.88	300.00	156,186.88	
07/01/22			44,126.88		44,126.88	200,313.76
01/01/23	110,000.00	3.300%	44,126.88	300.00	154,426.88	
07/01/23			42,311.88		42,311.88	196,738.76
01/01/24	110,000.00	3.400%	42,311.88	300.00	152,611.88	
07/01/24			40,441.88		40,441.88	193,053.76
01/01/25	120,000.00	3.600%	40,441.88	300.00	160,741.88	
07/01/25			38,281.88		38,281.88	199,023.76
01/01/26	120,000.00	3.600%	38,281.88	300.00	158,581.88	
07/01/26			36,121.88		36,121.88	194,703.76
01/01/27	125,000.00	3.700%	36,121.88	300.00	161,421.88	
07/01/27			33,809.38		33,809.38	195,231.26
01/01/28	130,000.00	3.700%	33,809.38	300.00	164,109.38	
07/01/28			31,404.38		31,404.38	195,513.76
01/01/29	135,000.00	3.700%	31,404.38	300.00	166,704.38	
07/01/29			28,906.88		28,906.88	195,611.26
01/01/30	140,000.00	3.825%	28,906.88	300.00	169,206.88	
07/01/30			26,229.38		26,229.38	195,436.26
01/01/31	145,000.00	3.825%	26,229.38	300.00	171,529.38	
07/01/31			23,456.25		23,456.25	194,985.63
01/01/32	155,000.00	3.950%	23,456.25	300.00	178,756.25	
07/01/32			20,395.00		20,395.00	199,151.25
01/01/33	160,000.00	3.950%	20,395.00	300.00	180,695.00	
07/01/33			17,235.00		17,235.00	197,930.00
01/01/34	120,000.00	3.950%	17,235.00	300.00	137,535.00	
07/01/34			14,865.00		14,865.00	152,400.00
01/01/35	120,000.00	3.950%	14,865.00	300.00	135,165.00	
07/01/35			12,495.00		12,495.00	147,660.00
01/01/36	125,000.00	4.200%	12,495.00	300.00	137,795.00	
07/01/36			9,870.00		9,870.00	147,665.00
01/01/37	115,000.00	4.200%	9,870.00	300.00	125,170.00	
07/01/37			7,455.00		7,455.00	132,625.00
01/01/38	115,000.00	4.200%	7,455.00	300.00	122,755.00	
07/01/38			5,040.00		5,040.00	127,795.00
01/01/39	120,000.00	4.200%	5,040.00	300.00	125,340.00	
07/01/39			2,520.00		2,520.00	127,860.00
01/01/40	120,000.00	4.200%	2,520.00	300.00	122,820.00	
07/01/40						122,820.00
01/01/41						
Totals	<u>3,205,000.00</u>		<u>1,884,296.10</u>	<u>8,400.00</u>	<u>5,097,696.10</u>	

KRWFC Flexible Term Program Series 2012 D
Sinking Fund Payment Schedule

Borrower: McCreary County Water District
Closing Date: 05/30/12

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
7/12-1/13	8,571.43	11,364.39	19,935.82
2/13-7/13	7,083.33	9,692.61	16,775.94
8/13-1/14	7,083.33	9,692.61	16,775.94
2/14-8/14	7,083.33	9,395.11	16,478.44
8/14-1/15	7,083.33	9,395.11	16,478.44
2/15-7/15	7,500.00	9,097.61	16,597.61
8/15-1/16	7,500.00	9,097.61	16,597.61
2/16-7/16	7,500.00	8,857.61	16,357.61
8/16-1/17	7,500.00	8,857.61	16,357.61
2/17-7/17	7,916.67	8,692.61	16,609.27
8/17-1/18	7,916.67	8,692.61	16,609.27
2/18-7/18	8,333.33	8,439.27	16,772.61
8/18-1/19	8,333.33	8,439.27	16,772.61
2/19-7/19	8,333.33	8,172.61	16,505.94
8/19-1-20	8,333.33	8,172.61	16,505.94
2/20-7/20	8,750.00	7,905.94	16,655.94
8/20-1/21	8,750.00	7,905.94	16,655.94
2/21-7/21	9,166.67	7,647.81	16,814.48
8/21-1/22	9,166.67	7,647.81	16,814.48
2/22-7/22	9,166.67	7,354.48	16,521.15
8/22-1/23	9,166.67	7,354.48	16,521.15
2/23-7/23	9,166.67	7,051.98	16,218.65
8/23-1/24	9,166.67	7,051.98	16,218.65
2/24-7/24	10,000.00	6,740.31	16,740.31
8/24-1/25	10,000.00	6,740.31	16,740.31
2/25-7/25	10,000.00	6,380.31	16,380.31
8/25-1/26	10,000.00	6,380.31	16,380.31
2/26-7/26	10,416.67	6,020.31	16,436.98
8/26-1/27	10,416.67	6,020.31	16,436.98
2/27-7/27	10,833.33	5,634.90	16,468.23
8/27-1/28	10,833.33	5,634.90	16,468.23
2/28-7/28	11,250.00	5,234.06	16,484.06
8/28-1/29	11,250.00	5,234.06	16,484.06
2/29-7/29	11,666.67	4,817.81	16,484.48
8/29-1/30	11,666.67	4,817.81	16,484.48
2/30-7/30	12,083.33	4,371.56	16,454.90
8/30-2/31	12,083.33	4,371.56	16,454.90
2/31-7/31	12,916.67	3,909.38	16,826.04
8/31-1/32	12,916.67	3,909.38	16,826.04
2/32-7/32	13,333.33	3,399.17	16,732.50
8/32-1/33	13,333.33	3,399.17	16,732.50
2/33-7/33	10,000.00	2,872.50	12,872.50
8/33-1/34	10,000.00	2,872.50	12,872.50
2/34-7/34	10,000.00	2,477.50	12,477.50
8/34-1/35	10,000.00	2,477.50	12,477.50
2/35-7/35	10,416.67	2,082.50	12,499.17
8/35-1/36	10,416.67	2,082.50	12,499.17
2/36-7/36	9,583.33	1,645.00	11,228.33
8/36-1/37	9,583.33	1,645.00	11,228.33
2/37-7/37	9,583.33	1,242.50	10,825.83
8/37-1/38	9,583.33	1,242.50	10,825.83
2/38-7/38	10,000.00	840.00	10,840.00
8/38-1/39	10,000.00	840.00	10,840.00
2/39-7/39	10,000.00	420.00	10,420.00
8/39-1/40	10,000.00	420.00	10,420.00
2/41-7/41	-	-	-
8/41-2/41	-	-	-
	<u>3,205,000.00</u>	<u>1,884,295.90</u>	<u>5,089,295.90</u>

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2012 D
Refunding of Sewer Revenue Bonds (Series 1997 and 2002 A)

Borrower: McCreary County Water District
Closing Date: 05/30/12

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total
07/01/12						
01/01/13	30,000.00	4.200%	39,653.71	150.00	69,803.71	
07/01/13			28,986.88		28,986.88	98,790.59
01/01/14	40,000.00	4.200%	28,986.88	150.00	69,136.88	
07/01/14			28,146.88		28,146.88	97,283.76
01/01/15	45,000.00	4.200%	28,146.88	150.00	73,296.88	
07/01/15			27,201.88		27,201.88	100,498.76
01/01/16	45,000.00	3.200%	27,201.88	150.00	72,351.88	
07/01/16			26,481.88		26,481.88	98,833.76
01/01/17	45,000.00	2.200%	26,481.88	150.00	71,631.88	
07/01/17			25,986.88		25,986.88	97,618.76
01/01/18	45,000.00	3.200%	25,986.88	150.00	71,136.88	
07/01/18			25,266.88		25,266.88	96,403.76
01/01/19	45,000.00	3.200%	25,266.88	150.00	70,416.88	
07/01/19			24,546.88		24,546.88	94,963.76
01/01/20	50,000.00	3.200%	24,546.88	150.00	74,696.88	
07/01/20			23,746.88		23,746.88	98,443.76
01/01/21	50,000.00	2.950%	23,746.88	150.00	73,896.88	
07/01/21			23,009.38		23,009.38	96,906.26
01/01/22	50,000.00	3.200%	23,009.38	150.00	73,159.38	
07/01/22			22,209.38		22,209.38	95,368.76
01/01/23	55,000.00	3.300%	22,209.38	150.00	77,359.38	
07/01/23			21,301.88		21,301.88	98,661.26
01/01/24	55,000.00	3.400%	21,301.88	150.00	76,451.88	
07/01/24			20,366.88		20,366.88	96,818.76
01/01/25	55,000.00	3.600%	20,366.88	150.00	75,516.88	
07/01/25			19,376.88		19,376.88	94,893.76
01/01/26	60,000.00	3.600%	19,376.88	150.00	79,526.88	
07/01/26			18,296.88		18,296.88	97,823.76
01/01/27	60,000.00	3.700%	18,296.88	150.00	78,446.88	
07/01/27			17,186.88		17,186.88	95,633.76
01/01/28	65,000.00	3.700%	17,186.88	150.00	82,336.88	
07/01/28			15,984.38		15,984.38	98,321.26
01/01/29	65,000.00	3.700%	15,984.38	150.00	81,134.38	
07/01/29			14,781.88		14,781.88	95,916.26
01/01/30	70,000.00	3.825%	14,781.88	150.00	84,931.88	
07/01/30			13,443.13		13,443.13	98,375.01
01/01/31	70,000.00	3.825%	13,443.13	150.00	83,593.13	
07/01/31			12,104.38		12,104.38	95,697.51
01/01/32	70,000.00	3.950%	12,104.38	150.00	82,254.38	
07/01/32			10,721.88		10,721.88	92,976.26
01/01/33	75,000.00	3.950%	10,721.88	150.00	85,871.88	
07/01/33			9,240.63		9,240.63	95,112.51
01/01/34	75,000.00	3.950%	9,240.63	150.00	84,390.63	
07/01/34			7,759.38		7,759.38	92,150.01
01/01/35	80,000.00	3.950%	7,759.38	150.00	87,909.38	
07/01/35			6,179.38		6,179.38	94,088.76
01/01/36	80,000.00	4.200%	6,179.38	150.00	86,329.38	
07/01/36			4,499.38		4,499.38	90,828.76
01/01/37	80,000.00	4.200%	4,499.38	150.00	84,649.38	
07/01/37			2,819.38		2,819.38	87,468.76
01/01/38	35,000.00	4.200%	2,819.38	150.00	37,969.38	
07/01/38			2,084.38		2,084.38	40,053.76
01/01/39	35,000.00	4.200%	2,084.38	150.00	37,234.38	
07/01/39			1,349.38		1,349.38	38,583.76
01/01/40	40,000.00	4.200%	1,349.38	150.00	41,499.38	
07/01/40			509.38		509.38	42,008.76
01/01/41	25,000.00	4.075%	509.38	450.00	25,959.38	
						25,959.38
Totals	1,595,000.00		946,833.99	4,650.00	2,546,483.99	

KRWFC Flexible Term Program Series 2012 D
Sinking Fund Payment Schedule

Borrower: McCreary County Water District
Closing Date: 05/30/12

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
7/12-1/13	4,285.71	5,664.81	9,950.53
2/13-7/13	3,333.33	4,831.15	8,164.48
8/13-1/14	3,333.33	4,831.15	8,164.48
2/14-8/14	3,750.00	4,691.15	8,441.15
8/14-1/15	3,750.00	4,691.15	8,441.15
2/15-7/15	3,750.00	4,533.65	8,283.65
8/15-1/16	3,750.00	4,533.65	8,283.65
2/16-7/16	3,750.00	4,413.65	8,163.65
8/16-1/17	3,750.00	4,413.65	8,163.65
2/17-7/17	3,750.00	4,331.15	8,081.15
8/17-1/18	3,750.00	4,331.15	8,081.15
2/18-7/18	3,750.00	4,211.15	7,961.15
8/18-1/19	3,750.00	4,211.15	7,961.15
2/19-7/19	4,166.67	4,091.15	8,257.81
8/19-1-20	4,166.67	4,091.15	8,257.81
2/20-7/20	4,166.67	3,957.81	8,124.48
8/20-1/21	4,166.67	3,957.81	8,124.48
2/21-7/21	4,166.67	3,834.90	8,001.56
8/21-1/22	4,166.67	3,834.90	8,001.56
2/22-7/22	4,583.33	3,701.56	8,284.90
8/22-1/23	4,583.33	3,701.56	8,284.90
2/23-7/23	4,583.33	3,550.31	8,133.65
8/23-1/24	4,583.33	3,550.31	8,133.65
2/24-7/24	4,583.33	3,394.48	7,977.81
8/24-1/25	4,583.33	3,394.48	7,977.81
2/25-7/25	5,000.00	3,229.48	8,229.48
8/25-1/26	5,000.00	3,229.48	8,229.48
2/26-7/26	5,000.00	3,049.48	8,049.48
8/26-1/27	5,000.00	3,049.48	8,049.48
2/27-7/27	5,416.67	2,864.48	8,281.15
8/27-1/28	5,416.67	2,864.48	8,281.15
2/28-7/28	5,416.67	2,664.06	8,080.73
8/28-1/29	5,416.67	2,664.06	8,080.73
2/29-7/29	5,833.33	2,463.65	8,296.98
8/29-1/30	5,833.33	2,463.65	8,296.98
2/30-7/30	5,833.33	2,240.52	8,073.86
8/30-2/31	5,833.33	2,240.52	8,073.86
2/31-7/31	5,833.33	2,017.40	7,850.73
8/31-1/32	5,833.33	2,017.40	7,850.73
2/32-7/32	6,250.00	1,786.98	8,036.98
8/32-1/33	6,250.00	1,786.98	8,036.98
2/33-7/33	6,250.00	1,540.11	7,790.11
8/33-1/34	6,250.00	1,540.11	7,790.11
2/34-7/34	6,666.67	1,293.23	7,959.90
8/34-1/35	6,666.67	1,293.23	7,959.90
2/35-7/35	6,666.67	1,029.90	7,696.56
8/35-1/36	6,666.67	1,029.90	7,696.56
2/36-7/36	6,666.67	749.90	7,416.56
8/36-1/37	6,666.67	749.90	7,416.56
2/37-7/37	2,916.67	469.90	3,386.56
8/37-1/38	2,916.67	469.90	3,386.56
2/38-7/38	2,916.67	347.40	3,264.06
8/38-1/39	2,916.67	347.40	3,264.06
2/39-7/39	3,333.33	224.90	3,558.23
8/39-1/40	3,333.33	224.90	3,558.23
2/41-7/41	2,083.33	84.90	2,168.23
8/41-2/41	2,083.33	84.90	2,168.23
-	-	-	-
	<u>1,595,000.00</u>	<u>946,833.98</u>	<u>2,541,833.98</u>

KRWFC Flexible Term Program Series 2013 B
Sinking Fund Payment Schedule

Borrower: McCreary County Water District
Closing Date: 02/27/13

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
4/13-7/13	9,000.00	4,043.97	13,043.97
8/13-1/14	9,000.00	3,151.15	12,151.15
2/14-8/14	7,500.00	2,978.65	10,478.65
8/14-1/15	7,500.00	2,978.65	10,478.65
2/15-7/15	7,500.00	2,806.15	10,306.15
8/15-1/16	7,500.00	2,806.15	10,306.15
2/16-7/16	7,916.67	2,633.65	10,550.31
8/16-1/17	7,916.67	2,633.65	10,550.31
2/17-7/17	7,916.67	2,451.56	10,368.23
8/17-1/18	7,916.67	2,451.56	10,368.23
2/18-7/18	7,916.67	2,269.48	10,186.15
8/18-1/19	7,916.67	2,269.48	10,186.15
2/19-7/19	8,333.33	2,087.40	10,420.73
8/19-1-20	8,333.33	2,087.40	10,420.73
2/20-7/20	8,333.33	1,895.73	10,229.06
8/20-1/21	8,333.33	1,895.73	10,229.06
2/21-7/21	8,750.00	1,662.40	10,412.40
8/21-1/22	8,750.00	1,662.40	10,412.40
2/22-7/22	7,500.00	1,417.40	8,917.40
8/22-1/23	7,500.00	1,417.40	8,917.40
2/23-7/23	7,916.67	1,207.40	9,124.06
8/23-1/24	7,916.67	1,207.40	9,124.06
2/24-7/24	8,333.33	975.83	9,309.17
8/24-1/25	8,333.33	975.83	9,309.17
2/25-7/25	8,333.33	721.67	9,055.00
8/25-1/26	8,333.33	721.67	9,055.00
2/26-7/26	3,750.00	467.50	4,217.50
8/26-1/27	3,750.00	467.50	4,217.50
2/27-7/27	3,333.33	343.75	3,677.08
8/27-1/28	3,333.33	343.75	3,677.08
2/28-7/28	3,333.33	233.75	3,567.08
8/28-1/29	3,333.33	233.75	3,567.08
2/29-7/29	3,750.00	123.75	3,873.75
8/29-1/30	3,750.00	123.75	3,873.75
2/30-7/30			
	<u>1,415,000.00</u>	<u>326,395.36</u>	<u>1,741,395.36</u>

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2013 B

Borrower: McCreary County Water District
Closing Date: 02/27/13

Borrower Payment Schedule

KRWFC Flexible Term Program
Sinking Fund Payment Schedule

Borrower: McCreary County
Closing Date: 02/27/13

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total	Monthly Principal
01/01/13			16,175.88		16,175.88	16,175.88	9,000.00
07/01/13	90,000.00	2.300%	18,906.88	450.00	109,356.88		9,000.00
01/01/14			17,871.88		17,871.88	127,228.76	7,500.00
07/01/14	90,000.00	2.300%	17,871.88	450.00	108,321.88		7,500.00
01/01/15			16,836.88		16,836.88	125,158.76	7,500.00
07/01/15	90,000.00	2.300%	16,836.88	450.00	107,286.88		7,500.00
01/01/16			15,801.88		15,801.88	123,088.76	7,916.67
07/01/16	95,000.00	2.300%	15,801.88	450.00	111,251.88		7,916.67
01/01/17			14,709.38		14,709.38	125,961.26	7,916.67
07/01/17	95,000.00	2.300%	14,709.38	405.00	110,114.38		7,916.67
01/01/18			13,616.88		13,616.88	123,731.26	7,916.67
07/01/18	95,000.00	2.300%	13,616.88	450.00	109,066.88		7,916.67
01/01/19			12,524.38		12,524.38	121,591.26	8,333.33
07/01/19	100,000.00	2.300%	12,524.38	450.00	112,974.38		8,333.33
01/01/20			11,374.38		11,374.38	124,348.76	8,333.33
07/01/20	100,000.00	2.800%	11,374.38	450.00	111,824.38		8,333.33
01/01/21			9,974.38		9,974.38	121,798.76	8,750.00
07/01/21	105,000.00	2.800%	9,974.38	450.00	115,424.38		8,750.00
01/01/22			8,504.38		8,504.38	123,928.76	7,500.00
07/01/22	90,000.00 ✓	2.800%	8,504.38	450.00	98,954.38		7,500.00
01/01/23			7,244.38		7,244.38	106,198.76	7,916.67
07/01/23	95,000.00	2.925%	7,244.38	450.00	102,694.38		7,916.67
01/01/24			5,855.00		5,855.00	108,549.38	8,333.33
07/01/24	100,000.00	3.050%	5,855.00	450.00	106,305.00		8,333.33
01/01/25			4,330.00		4,330.00	110,635.00	8,333.33
07/01/25	100,000.00	3.050%	4,330.00	450.00	104,780.00		8,333.33
01/01/26			2,805.00		2,805.00	107,585.00	3,750.00
07/01/26	45,000.00	3.300%	2,805.00	450.00	48,255.00		3,750.00
01/01/27			2,062.50		2,062.50	50,317.50	3,333.33
07/01/27	40,000.00	3.300%	2,062.50	450.00	42,512.50		3,333.33
01/01/28			1,402.50		1,402.50	43,915.00	3,333.33
07/01/28	40,000.00	3.300%	1,402.50	450.00	41,852.50		3,333.33
01/01/29			742.50		742.50	42,595.00	3,750.00
07/01/29	45,000.00	3.300%	742.50	450.00	46,192.50		3,750.00
01/01/30							
07/01/30							
Totals	1,415,000.00		326,395.36	7,605.00	1,749,000.36	1,749,000.36	1,415,000.00

KRWFC Flexible Term Program
Sinking Fund Payment Schedule
07/07/13

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2020 E

Borrower: McCreary County Water District - office building
Closing Date: 09/23/20

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total
01/01/20						
07/01/20						
01/01/21		4.250%	5,266.67	225.00	5,491.67	
07/01/21			7,406.25		7,406.25	12,897.92
01/01/22	10,000.00	4.250%	7,406.25	225.00	17,631.25	
07/01/22			7,193.75		7,193.75	24,825.00
01/01/23	10,000.00	4.250%	7,193.75	225.00	17,418.75	
07/01/23			6,981.25		6,981.25	24,400.00
01/01/24	10,000.00	4.250%	6,981.25	225.00	17,206.25	
07/01/24			6,768.75		6,768.75	23,975.00
01/01/25	10,000.00	4.250%	6,768.75	225.00	16,993.75	
07/01/25			6,556.25		6,556.25	23,550.00
01/01/26	10,000.00	4.250%	6,556.25	225.00	16,781.25	
07/01/26			6,343.75		6,343.75	23,125.00
01/01/27	15,000.00	4.250%	6,343.75	225.00	21,568.75	
07/01/27			6,025.00		6,025.00	27,593.75
01/01/28	15,000.00	4.250%	6,025.00	225.00	21,250.00	
07/01/28			5,706.25		5,706.25	26,956.25
01/01/29	15,000.00	4.250%	5,706.25	225.00	20,931.25	
07/01/29			5,387.50		5,387.50	26,318.75
01/01/30	15,000.00	4.250%	5,387.50	225.00	20,612.50	
07/01/30			5,068.75		5,068.75	25,681.25
01/01/31	15,000.00	3.250%	5,068.75	225.00	20,293.75	
07/01/31			4,825.00		4,825.00	25,118.75
01/01/32	15,000.00	3.250%	4,825.00	225.00	20,050.00	
07/01/32			4,581.25		4,581.25	24,631.25
01/01/33	15,000.00	3.250%	4,581.25	225.00	19,806.25	
07/01/33			4,337.50		4,337.50	24,143.75
01/01/34	15,000.00	2.250%	4,337.50	225.00	19,562.50	
07/01/34			4,168.75		4,168.75	23,731.25
01/01/35	15,000.00	2.250%	4,168.75	225.00	19,393.75	
07/01/35			4,000.00		4,000.00	23,393.75
01/01/36	15,000.00	2.250%	4,000.00	225.00	19,225.00	
07/01/36			3,831.25		3,831.25	23,056.25
01/01/37	20,000.00	2.250%	3,831.25	225.00	24,056.25	
07/01/37			3,606.25		3,606.25	27,662.50
01/01/38	20,000.00	2.375%	3,606.25	225.00	23,831.25	
07/01/38			3,368.75		3,368.75	27,200.00
01/01/39	20,000.00	2.375%	3,368.75	225.00	23,593.75	
07/01/39			3,131.25		3,131.25	26,725.00
01/01/40	20,000.00	2.375%	3,131.25	225.00	23,356.25	
07/01/40			2,893.75		2,893.75	26,250.00
01/01/41	20,000.00	2.625%	2,893.75	225.00	23,118.75	
07/01/41			2,631.25		2,631.25	25,750.00
01/01/42	20,000.00	2.625%	2,631.25	225.00	22,856.25	
07/01/42			2,368.75		2,368.75	25,225.00
01/01/43	20,000.00	2.625%	2,368.75	225.00	22,593.75	
07/01/43			2,106.25		2,106.25	24,700.00
01/01/44	20,000.00	2.625%	2,106.25	225.00	22,331.25	
07/01/44			1,843.75		1,843.75	24,175.00
01/01/45	20,000.00	2.625%	1,843.75	225.00	22,068.75	
07/01/45			1,581.25		1,581.25	23,650.00
01/01/46	20,000.00	2.750%	1,581.25	225.00	21,806.25	
07/01/46			1,306.25		1,306.25	23,112.50
01/01/47	20,000.00	2.750%	1,306.25	225.00	21,531.25	
07/01/47			1,031.25		1,031.25	22,562.50
01/01/48	25,000.00	2.750%	1,031.25	225.00	26,256.25	
07/01/48			687.50		687.50	26,943.75
01/01/49	25,000.00	2.750%	687.50	225.00	25,912.50	
07/01/49			343.75		343.75	26,256.25
01/01/50	25,000.00	2.750%	343.75	250.00	25,593.75	
						25,593.75
Totals	495,000.00		237,429.17	6,775.00	739,204.17	739,204.17

KRWFC Flexible Term Program Series 2020 E
Sinking Fund Payment Schedule

Borrower: McCreary County Water District - office building
Closing Date: 09/23/20

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
11/20-1/21		1,755.56	1,755.56
2/21-7/21	833.33	1,234.38	2,067.71
8/21-1/22	833.33	1,234.38	2,067.71
2/22-7/22	833.33	1,198.96	2,032.29
8/22-1/23	833.33	1,198.96	2,032.29
2/23-7/23	833.33	1,163.54	1,996.88
8/23-1/24	833.33	1,163.54	1,996.88
2/24-7/24	833.33	1,128.13	1,961.46
8/24-1/25	833.33	1,128.13	1,961.46
2/25-7/25	833.33	1,092.71	1,926.04
8/25-1/26	833.33	1,092.71	1,926.04
2/26-7/26	1,250.00	1,057.29	2,307.29
8/26-1/27	1,250.00	1,057.29	2,307.29
2/27-7/27	1,250.00	1,004.17	2,254.17
8/27-1/28	1,250.00	1,004.17	2,254.17
2/28-7/28	1,250.00	951.04	2,201.04
8/28-1/29	1,250.00	951.04	2,201.04
2/29-7/29	1,250.00	897.92	2,147.92
8/29-1/30	1,250.00	897.92	2,147.92
2/30-7/30	1,250.00	844.79	2,094.79
8/30-2/31	1,250.00	844.79	2,094.79
2/31-7/31	1,250.00	804.17	2,054.17
8/31-1/32	1,250.00	804.17	2,054.17
2/32-7/32	1,250.00	763.54	2,013.54
8/32-1/33	1,250.00	763.54	2,013.54
2/33-7/33	1,250.00	722.92	1,972.92
8/33-1/34	1,250.00	722.92	1,972.92
2/34-7/34	1,250.00	694.79	1,944.79
8/34-1/35	1,250.00	694.79	1,944.79
2/35-7/35	1,250.00	666.67	1,916.67
8/35-1/36	1,250.00	666.67	1,916.67
2/36-7/36	1,666.67	638.54	2,305.21
8/36-1/37	1,666.67	638.54	2,305.21
2/37-7/37	1,666.67	601.04	2,267.71
8/37-1/37	1,666.67	601.04	2,267.71
2/38-7/38	1,666.67	561.46	2,228.13
8/38-1/39	1,666.67	561.46	2,228.13
2/39-7/39	1,666.67	521.88	2,188.54
8/39-1/40	1,666.67	521.88	2,188.54
2/40-7/40	1,666.67	482.29	2,148.96
8/40-1/41	1,666.67	482.29	2,148.96
2/41-7/41	1,666.67	438.54	2,105.21
8/41-1/42	1,666.67	438.54	2,105.21
2/42-7/42	1,666.67	394.79	2,061.46
8/42-1/43	1,666.67	394.79	2,061.46
2/43-7/43	1,666.67	351.04	2,017.71
8/43-1/44	1,666.67	351.04	2,017.71
2/44-7/44	1,666.67	307.29	1,973.96
8/44-1/45	1,666.67	307.29	1,973.96
2/45-7/45	1,666.67	263.54	1,930.21
8/45-1/46	1,666.67	263.54	1,930.21
2/46-7/46	1,666.67	217.71	1,884.38
8/46-1/47	1,666.67	217.71	1,884.38
2/47-7/47	2,083.33	171.88	2,255.21
8/47-1/48	2,083.33	171.88	2,255.21
2/48-7/48	2,083.33	114.58	2,197.92
8/48-1/49	2,083.33	114.58	2,197.92
2/49-7/49	2,083.33	57.29	2,140.63
8/49-1/50	2,083.33	57.29	2,140.63
	<u>495,000.00</u>	<u>237,429.17</u>	<u>730,673.61</u>

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2020 E

Borrower: McCreary County Water District - refunding
Closing Date: 09/23/20

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total
01/01/20						
07/01/20						
01/01/21		4.250%	13,224.44	225.00	13,449.44	
07/01/21			18,596.88		18,596.88	32,046.32
01/01/22	35,000.00	4.250%	18,596.88	225.00	53,821.88	
07/01/22			17,853.13		17,853.13	71,675.01
01/01/23	35,000.00	4.250%	17,853.13	225.00	53,078.13	
07/01/23			17,109.38		17,109.38	70,187.51
01/01/24	35,000.00	4.250%	17,109.38	225.00	52,334.38	
07/01/24			16,365.63		16,365.63	68,700.01
01/01/25	35,000.00	4.250%	16,365.63	225.00	51,590.63	
07/01/25			15,621.88		15,621.88	67,212.51
01/01/26	40,000.00	4.250%	15,621.88	225.00	55,846.88	
07/01/26			14,771.88		14,771.88	70,618.76
01/01/27	40,000.00	4.250%	14,771.88	225.00	54,996.88	
07/01/27			13,921.88		13,921.88	68,918.76
01/01/28	40,000.00	4.250%	13,921.88	225.00	54,146.88	
07/01/28			13,071.88		13,071.88	67,218.76
01/01/29	45,000.00	4.250%	13,071.88	225.00	58,296.88	
07/01/29			12,115.63		12,115.63	70,412.51
01/01/30	45,000.00	4.250%	12,115.63	225.00	57,340.63	
07/01/30			11,159.38		11,159.38	68,500.01
01/01/31	45,000.00	3.250%	11,159.38	225.00	56,384.38	
07/01/31			10,428.13		10,428.13	66,812.51
01/01/32	50,000.00	3.250%	10,428.13	225.00	60,653.13	
07/01/32			9,615.63		9,615.63	70,268.76
01/01/33	50,000.00	3.250%	9,615.63	225.00	59,840.63	
07/01/33			8,803.13		8,803.13	68,643.76
01/01/34	50,000.00	2.250%	8,803.13	225.00	59,028.13	
07/01/34			8,240.63		8,240.63	67,268.76
01/01/35	50,000.00	2.250%	8,240.63	225.00	58,465.63	
07/01/35			7,678.13		7,678.13	66,143.76
01/01/36	55,000.00	2.250%	7,678.13	225.00	62,903.13	
07/01/36			7,059.38		7,059.38	69,962.51
01/01/37	55,000.00	2.250%	7,059.38	225.00	62,284.38	
07/01/37			6,440.63		6,440.63	68,725.01
01/01/38	55,000.00	2.375%	6,440.63	225.00	61,665.63	
07/01/38			5,787.50		5,787.50	67,453.13
01/01/39	55,000.00	2.375%	5,787.50	225.00	61,012.50	
07/01/39			5,134.38		5,134.38	66,146.88
01/01/40	55,000.00	2.375%	5,134.38	225.00	60,359.38	
07/01/40			4,481.25		4,481.25	64,840.63
01/01/41	60,000.00	2.625%	4,481.25	225.00	64,706.25	
07/01/41			3,693.75		3,693.75	68,400.00
01/01/42	60,000.00	2.625%	3,693.75	225.00	63,918.75	
07/01/42			2,906.25		2,906.25	66,825.00
01/01/43	60,000.00	2.625%	2,906.25	225.00	63,131.25	
07/01/43			2,118.75		2,118.75	65,250.00
01/01/44	65,000.00	2.625%	2,118.75	225.00	67,343.75	
07/01/44			1,265.63		1,265.63	68,609.38
01/01/45	65,000.00	2.625%	1,265.63	225.00	66,490.63	
07/01/45			412.50		412.50	66,903.13
01/01/46	10,000.00	2.750%	412.50	225.00	10,637.50	
07/01/46			275.00		275.00	10,912.50
01/01/47	10,000.00	2.750%	275.00	225.00	10,500.00	
07/01/47			137.50		137.50	10,637.50
01/01/48	10,000.00	2.750%	137.50	225.00	10,362.50	
07/01/48						
Totals	1,210,000.00		483,355.88	6,300.00	1,699,655.88	1,689,293.38

KRWFC Flexible Term Program Series 2020 E
Sinking Fund Payment Schedule

Borrower: McCreary County Water District - refunding
Closing Date: 09/23/20

	Monthly Principal	Monthly Interest	Total Monthly Sinking Fund Payments
11/20-1/21		4,408.15	4,408.15
2/21-7/21	2,916.67	3,099.48	6,016.15
8/21-1/22	2,916.67	3,099.48	6,016.15
2/22-7/22	2,916.67	2,975.52	5,892.19
8/22-1/23	2,916.67	2,975.52	5,892.19
2/23-7/23	2,916.67	2,851.56	5,768.23
8/23-1/24	2,916.67	2,851.56	5,768.23
2/24-7/24	2,916.67	2,727.61	5,644.27
8/24-1/25	2,916.67	2,727.61	5,644.27
2/25-7/25	3,333.33	2,603.65	5,936.98
8/25-1/26	3,333.33	2,603.65	5,936.98
2/26-7/26	3,333.33	2,461.98	5,795.31
8/26-1/27	3,333.33	2,461.98	5,795.31
2/27-7/27	3,333.33	2,320.31	5,653.65
8/27-1/28	3,333.33	2,320.31	5,653.65
2/28-7/28	3,750.00	2,178.65	5,928.65
8/28-1/29	3,750.00	2,178.65	5,928.65
2/29-7/29	3,750.00	2,019.27	5,769.27
8/29-1/30	3,750.00	2,019.27	5,769.27
2/30-7/30	3,750.00	1,859.90	5,609.90
8/30-2/31	3,750.00	1,859.90	5,609.90
2/31-7/31	4,166.67	1,738.02	5,904.69
8/31-1/32	4,166.67	1,738.02	5,904.69
2/32-7/32	4,166.67	1,602.61	5,769.27
8/32-1/33	4,166.67	1,602.61	5,769.27
2/33-7/33	4,166.67	1,467.19	5,633.86
8/33-1/34	4,166.67	1,467.19	5,633.86
2/34-7/34	4,166.67	1,373.44	5,540.11
8/34-1/35	4,166.67	1,373.44	5,540.11
2/35-7/35	4,583.33	1,279.69	5,863.02
8/35-1/36	4,583.33	1,279.69	5,863.02
2/36-7/36	4,583.33	1,176.56	5,759.90
8/36-1/37	4,583.33	1,176.56	5,759.90
2/37-7/37	4,583.33	1,073.44	5,656.77
8/37-1/37	4,583.33	1,073.44	5,656.77
2/38-7/38	4,583.33	964.58	5,547.92
8/38-1/39	4,583.33	964.58	5,547.92
2/39-7/39	4,583.33	855.73	5,439.06
8/39-1/40	4,583.33	855.73	5,439.06
2/40-7/40	5,000.00	746.88	5,746.88
8/40-1/41	5,000.00	746.88	5,746.88
2/41-7/41	5,000.00	615.63	5,615.63
8/41-1/42	5,000.00	615.63	5,615.63
2/42-7/42	5,000.00	484.38	5,484.38
8/42-1/43	5,000.00	484.38	5,484.38
2/43-7/43	5,416.67	353.13	5,769.79
8/43-1/44	5,416.67	353.13	5,769.79
2/44-7/44	5,416.67	210.94	5,627.61
8/44-1/45	5,416.67	210.94	5,627.61
2/45-7/45	833.33	68.75	902.08
8/45-1/46	833.33	68.75	902.08
2/46-7/46	833.33	45.83	879.17
8/46-1/47	833.33	45.83	879.17
2/47-7/47	833.33	22.92	856.25
8/47-1/48	833.33	22.92	856.25
2/48-7/48	-	-	-
	<u>1,210,000.00</u>	<u>483,355.88</u>	<u>1,688,947.73</u>

<i>Name</i>	McCreary County Water District			<i>LOAN NUMBER</i>	91-33	
<i>Bond Series</i>		<i>Amount of Bond</i>			<i>Interest Rate</i>	<i>Semi Annual</i>
2013		\$1,300,000.00			1.875%	2/27/2013
			<i>April</i>	<i>October</i>		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST	Yearly Total Paid	BALANCE
				Interest Payment Due		\$1,300,000.00
2013		\$12,187.50	\$12,187.50	\$12,187.50	\$24,375.00	\$1,300,000.00
2014		\$12,187.50	\$12,187.50	\$12,187.50	\$24,375.00	\$1,300,000.00
2015	\$21,000.00	\$12,187.50	\$33,187.50	\$11,990.63	\$45,178.13	\$1,279,000.00
2016	\$21,500.00	\$11,990.63	\$33,490.63	\$11,789.06	\$45,279.69	\$1,257,500.00
2017	\$22,000.00	\$11,789.06	\$33,789.06	\$11,582.81	\$45,371.88	\$1,235,500.00
2018	\$22,500.00	\$11,582.81	\$34,082.81	\$11,371.88	\$45,454.69	\$1,213,000.00
2019	\$23,000.00	\$11,371.88	\$34,371.88	\$11,156.25	\$45,528.13	\$1,190,000.00
2020	\$23,500.00	\$11,156.25	\$34,656.25	\$10,935.94	\$45,592.19	\$1,166,500.00
2021	\$24,000.00	\$10,935.94	\$34,935.94	\$10,710.94	\$45,646.88	\$1,142,500.00
2022	\$25,000.00	\$10,710.94	\$35,710.94	\$10,476.56	\$46,187.50	\$1,117,500.00
2023	\$25,500.00	\$10,476.56	\$35,976.56	\$10,237.50	\$46,214.06	\$1,092,000.00
2024	\$26,000.00	\$10,237.50	\$36,237.50	\$9,993.75	\$46,231.25	\$1,066,000.00
2025	\$27,000.00	\$9,993.75	\$36,993.75	\$9,740.63	\$46,734.38	\$1,039,000.00
2026	\$27,500.00	\$9,740.63	\$37,240.63	\$9,482.81	\$46,723.44	\$1,011,500.00
2027	\$28,000.00	\$9,482.81	\$37,482.81	\$9,220.31	\$46,703.13	\$983,500.00
2028	\$29,000.00	\$9,220.31	\$38,220.31	\$8,948.44	\$47,168.75	\$954,500.00
2029	\$29,500.00	\$8,948.44	\$38,448.44	\$8,671.88	\$47,120.31	\$925,000.00
2030	\$30,500.00	\$8,671.88	\$39,171.88	\$8,385.94	\$47,557.81	\$894,500.00
2031	\$31,000.00	\$8,385.94	\$39,385.94	\$8,095.31	\$47,481.25	\$863,500.00
2032	\$32,000.00	\$8,095.31	\$40,095.31	\$7,795.31	\$47,890.63	\$831,500.00
2033	\$32,500.00	\$7,795.31	\$40,295.31	\$7,490.63	\$47,785.94	\$799,000.00
2034	\$33,500.00	\$7,490.63	\$40,990.63	\$7,176.56	\$48,167.19	\$765,500.00
2035	\$34,500.00	\$7,176.56	\$41,676.56	\$6,853.13	\$48,529.69	\$731,000.00
2036	\$35,000.00	\$6,853.13	\$41,853.13	\$6,525.00	\$48,378.13	\$696,000.00
2037	\$36,000.00	\$6,525.00	\$42,525.00	\$6,187.50	\$48,712.50	\$660,000.00
2038	\$37,000.00	\$6,187.50	\$43,187.50	\$5,840.63	\$49,028.13	\$623,000.00
2039	\$38,000.00	\$5,840.63	\$43,840.63	\$5,484.38	\$49,325.00	\$585,000.00
2040	\$39,000.00	\$5,484.38	\$44,484.38	\$5,118.75	\$49,603.13	\$546,000.00
2041	\$40,000.00	\$5,118.75	\$45,118.75	\$4,743.75	\$49,862.50	\$506,000.00
2042	\$41,000.00	\$4,743.75	\$45,743.75	\$4,359.38	\$50,103.13	\$465,000.00
2043	\$42,000.00	\$4,359.38	\$46,359.38	\$3,965.63	\$50,325.00	\$423,000.00
2044	\$43,000.00	\$3,965.63	\$46,965.63	\$3,562.50	\$50,528.13	\$380,000.00
2045	\$44,000.00	\$3,562.50	\$47,562.50	\$3,150.00	\$50,712.50	\$336,000.00
2046	\$45,000.00	\$3,150.00	\$48,150.00	\$2,728.13	\$50,878.13	\$291,000.00
2047	\$46,000.00	\$2,728.13	\$48,728.13	\$2,296.88	\$51,025.00	\$245,000.00
2048	\$47,500.00	\$2,296.88	\$49,796.88	\$1,851.56	\$51,648.44	\$197,500.00
2049	\$48,500.00	\$1,851.56	\$50,351.56	\$1,396.88	\$51,748.44	\$149,000.00
2050	\$49,500.00	\$1,396.88	\$50,896.88	\$932.81	\$51,829.69	\$99,500.00
2051	\$51,000.00	\$932.81	\$51,932.81	\$454.69	\$52,387.50	\$48,500.00
2052	\$48,500.00	\$454.69	\$48,954.69	\$0.00	\$48,954.69	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$1,300,000.00	\$297,267.19		\$285,079.69	\$1,882,346.88	

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

<i>Name</i>	McCreary County Water District			<i>LOAN NUMBER</i>	91-35	
<i>Bond Series</i>		<i>Amount of Bond</i>			<i>Interest Rate</i>	<i>Semi Annual</i>
2013		\$635,000.00			1.875%	2/27/2013
			<i>April</i>	<i>October</i>		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST	Yearly Total Paid	BALANCE
				Interest Payment Due		\$635,000.00
2013		\$5,953.13	\$5,953.13	\$5,953.13	\$11,906.25	\$635,000.00
2014		\$5,953.13	\$5,953.13	\$5,953.13	\$11,906.25	\$635,000.00
2015	\$11,000.00	\$5,953.13	\$16,953.13	\$5,850.00	\$22,803.13	\$624,000.00
2016	\$11,000.00	\$5,850.00	\$16,850.00	\$5,746.88	\$22,596.88	\$613,000.00
2017	\$11,000.00	\$5,746.88	\$16,746.88	\$5,643.75	\$22,390.63	\$602,000.00
2018	\$11,500.00	\$5,643.75	\$17,143.75	\$5,535.94	\$22,679.69	\$590,500.00
2019	\$12,000.00	\$5,535.94	\$17,535.94	\$5,423.44	\$22,959.38	\$578,500.00
2020	\$12,000.00	\$5,423.44	\$17,423.44	\$5,310.94	\$22,734.38	\$566,500.00
2021	\$12,500.00	\$5,310.94	\$17,810.94	\$5,193.75	\$23,004.69	\$554,000.00
2022	\$12,500.00	\$5,193.75	\$17,693.75	\$5,076.56	\$22,770.31	\$541,500.00
2023	\$13,000.00	\$5,076.56	\$18,076.56	\$4,954.69	\$23,031.25	\$528,500.00
2024	\$13,000.00	\$4,954.69	\$17,954.69	\$4,832.81	\$22,787.50	\$515,500.00
2025	\$13,500.00	\$4,832.81	\$18,332.81	\$4,706.25	\$23,039.06	\$502,000.00
2026	\$13,500.00	\$4,706.25	\$18,206.25	\$4,579.69	\$22,785.94	\$488,500.00
2027	\$14,000.00	\$4,579.69	\$18,579.69	\$4,448.44	\$23,028.13	\$474,500.00
2028	\$14,500.00	\$4,448.44	\$18,948.44	\$4,312.50	\$23,260.94	\$460,000.00
2029	\$14,500.00	\$4,312.50	\$18,812.50	\$4,176.56	\$22,989.06	\$445,500.00
2030	\$15,000.00	\$4,176.56	\$19,176.56	\$4,035.94	\$23,212.50	\$430,500.00
2031	\$15,500.00	\$4,035.94	\$19,535.94	\$3,890.63	\$23,426.56	\$415,000.00
2032	\$15,500.00	\$3,890.63	\$19,390.63	\$3,745.31	\$23,135.94	\$399,500.00
2033	\$16,000.00	\$3,745.31	\$19,745.31	\$3,595.31	\$23,340.63	\$383,500.00
2034	\$16,500.00	\$3,595.31	\$20,095.31	\$3,440.63	\$23,535.94	\$367,000.00
2035	\$17,000.00	\$3,440.63	\$20,440.63	\$3,281.25	\$23,721.88	\$350,000.00
2036	\$17,000.00	\$3,281.25	\$20,281.25	\$3,121.88	\$23,403.13	\$333,000.00
2037	\$17,500.00	\$3,121.88	\$20,621.88	\$2,957.81	\$23,579.69	\$315,500.00
2038	\$18,000.00	\$2,957.81	\$20,957.81	\$2,789.06	\$23,746.88	\$297,500.00
2039	\$18,500.00	\$2,789.06	\$21,289.06	\$2,615.63	\$23,904.69	\$279,000.00
2040	\$19,000.00	\$2,615.63	\$21,615.63	\$2,437.50	\$24,053.13	\$260,000.00
2041	\$19,000.00	\$2,437.50	\$21,437.50	\$2,259.38	\$23,696.88	\$241,000.00
2042	\$19,500.00	\$2,259.38	\$21,759.38	\$2,076.56	\$23,835.94	\$221,500.00
2043	\$20,000.00	\$2,076.56	\$22,076.56	\$1,889.06	\$23,965.63	\$201,500.00
2044	\$20,500.00	\$1,889.06	\$22,389.06	\$1,696.88	\$24,085.94	\$181,000.00
2045	\$21,000.00	\$1,696.88	\$22,696.88	\$1,500.00	\$24,196.88	\$160,000.00
2046	\$21,500.00	\$1,500.00	\$23,000.00	\$1,298.44	\$24,298.44	\$138,500.00
2047	\$22,000.00	\$1,298.44	\$23,298.44	\$1,092.19	\$24,390.63	\$116,500.00
2048	\$22,500.00	\$1,092.19	\$23,592.19	\$881.25	\$24,473.44	\$94,000.00
2049	\$23,000.00	\$881.25	\$23,881.25	\$665.63	\$24,546.88	\$71,000.00
2050	\$23,500.00	\$665.63	\$24,165.63	\$445.31	\$24,610.94	\$47,500.00
2051	\$24,000.00	\$445.31	\$24,445.31	\$220.31	\$24,665.63	\$23,500.00
2052	\$23,500.00	\$220.31	\$23,720.31	\$0.00	\$23,720.31	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$635,000.00	\$143,587.50		\$137,634.38	\$916,221.88	

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<i>Name</i>	McCreary County Water District			<i>LOAN NUMBER</i>	93-37	
<i>Bond Series</i>		<i>Amount of Bond</i>			<i>Interest Rate</i>	<i>Semi Annual</i>
2016		\$1,158,000.00			2.500%	2/5/2016
			<i>April</i>	<i>October</i>		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST	Yearly Total Paid	BALANCE
				Interest Payment Due		\$1,158,000.00
2016		\$14,475.00	\$14,475.00	\$14,475.00	\$28,950.00	\$1,158,000.00
2017		\$14,475.00	\$14,475.00	\$14,475.00	\$28,950.00	\$1,158,000.00
2018	\$16,000.00	\$14,475.00	\$30,475.00	\$14,275.00	\$44,750.00	\$1,142,000.00
2019	\$16,500.00	\$14,275.00	\$30,775.00	\$14,068.75	\$44,843.75	\$1,125,500.00
2020	\$17,000.00	\$14,068.75	\$31,068.75	\$13,856.25	\$44,925.00	\$1,108,500.00
2021	\$17,500.00	\$13,856.25	\$31,356.25	\$13,637.50	\$44,993.75	\$1,091,000.00
2022	\$18,000.00	\$13,637.50	\$31,637.50	\$13,412.50	\$45,050.00	\$1,073,000.00
2023	\$18,500.00	\$13,412.50	\$31,912.50	\$13,181.25	\$45,093.75	\$1,054,500.00
2024	\$19,000.00	\$13,181.25	\$32,181.25	\$12,943.75	\$45,125.00	\$1,035,500.00
2025	\$20,000.00	\$12,943.75	\$32,943.75	\$12,693.75	\$45,637.50	\$1,015,500.00
2026	\$20,500.00	\$12,693.75	\$33,193.75	\$12,437.50	\$45,631.25	\$995,000.00
2027	\$21,000.00	\$12,437.50	\$33,437.50	\$12,175.00	\$45,612.50	\$974,000.00
2028	\$22,000.00	\$12,175.00	\$34,175.00	\$11,900.00	\$46,075.00	\$952,000.00
2029	\$22,500.00	\$11,900.00	\$34,400.00	\$11,618.75	\$46,018.75	\$929,500.00
2030	\$23,500.00	\$11,618.75	\$35,118.75	\$11,325.00	\$46,443.75	\$906,000.00
2031	\$24,000.00	\$11,325.00	\$35,325.00	\$11,025.00	\$46,350.00	\$882,000.00
2032	\$25,000.00	\$11,025.00	\$36,025.00	\$10,712.50	\$46,737.50	\$857,000.00
2033	\$25,500.00	\$10,712.50	\$36,212.50	\$10,393.75	\$46,606.25	\$831,500.00
2034	\$26,500.00	\$10,393.75	\$36,893.75	\$10,062.50	\$46,956.25	\$805,000.00
2035	\$27,500.00	\$10,062.50	\$37,562.50	\$9,718.75	\$47,281.25	\$777,500.00
2036	\$28,000.00	\$9,718.75	\$37,718.75	\$9,368.75	\$47,087.50	\$749,500.00
2037	\$29,000.00	\$9,368.75	\$38,368.75	\$9,006.25	\$47,375.00	\$720,500.00
2038	\$30,000.00	\$9,006.25	\$39,006.25	\$8,631.25	\$47,637.50	\$690,500.00
2039	\$31,000.00	\$8,631.25	\$39,631.25	\$8,243.75	\$47,875.00	\$659,500.00
2040	\$32,000.00	\$8,243.75	\$40,243.75	\$7,843.75	\$48,087.50	\$627,500.00
2041	\$33,000.00	\$7,843.75	\$40,843.75	\$7,431.25	\$48,275.00	\$594,500.00
2042	\$34,000.00	\$7,431.25	\$41,431.25	\$7,006.25	\$48,437.50	\$560,500.00
2043	\$35,500.00	\$7,006.25	\$42,506.25	\$6,562.50	\$49,068.75	\$525,000.00
2044	\$36,500.00	\$6,562.50	\$43,062.50	\$6,106.25	\$49,168.75	\$488,500.00
2045	\$37,500.00	\$6,106.25	\$43,606.25	\$5,637.50	\$49,243.75	\$451,000.00
2046	\$39,000.00	\$5,637.50	\$44,637.50	\$5,150.00	\$49,787.50	\$412,000.00
2047	\$40,000.00	\$5,150.00	\$45,150.00	\$4,650.00	\$49,800.00	\$372,000.00
2048	\$41,500.00	\$4,650.00	\$46,150.00	\$4,131.25	\$50,281.25	\$330,500.00
2049	\$43,000.00	\$4,131.25	\$47,131.25	\$3,593.75	\$50,725.00	\$287,500.00
2050	\$44,000.00	\$3,593.75	\$47,593.75	\$3,043.75	\$50,637.50	\$243,500.00
2051	\$45,500.00	\$3,043.75	\$48,543.75	\$2,475.00	\$51,018.75	\$198,000.00
2052	\$47,000.00	\$2,475.00	\$49,475.00	\$1,887.50	\$51,362.50	\$151,000.00
2053	\$48,500.00	\$1,887.50	\$50,387.50	\$1,281.25	\$51,668.75	\$102,500.00
2054	\$50,000.00	\$1,281.25	\$51,281.25	\$656.25	\$51,937.50	\$52,500.00
2055	\$52,500.00	\$656.25	\$53,156.25	\$0.00	\$53,156.25	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$1,158,000.00	\$365,568.75		\$351,093.75	\$1,874,662.50	

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<i>Name</i>	McCreary County Water District			<i>LOAN NUMBER</i>	93-38	
<i>Bond Series</i>		<i>Amount of Bond</i>			<i>Interest Rate</i>	<i>Semi Annual</i>
2020		\$1,324,000.00			1.375%	5/28/2020
			<i>April</i>	<i>October</i>		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
						\$1,324,000.00
2021	\$20,000.00	\$9,102.50	\$29,102.50	\$8,965.00	\$38,067.50	\$1,304,000.00
2022	\$20,500.00	\$8,965.00	\$29,465.00	\$8,824.06	\$38,289.06	\$1,283,500.00
2023	\$21,000.00	\$8,824.06	\$29,824.06	\$8,679.69	\$38,503.75	\$1,262,500.00
2024	\$21,500.00	\$8,679.69	\$30,179.69	\$8,531.88	\$38,711.56	\$1,241,000.00
2025	\$22,000.00	\$8,531.88	\$30,531.88	\$8,380.63	\$38,912.50	\$1,219,000.00
2026	\$22,500.00	\$8,380.63	\$30,880.63	\$8,225.94	\$39,106.56	\$1,196,500.00
2027	\$23,000.00	\$8,225.94	\$31,225.94	\$8,067.81	\$39,293.75	\$1,173,500.00
2028	\$24,000.00	\$8,067.81	\$32,067.81	\$7,902.81	\$39,970.63	\$1,149,500.00
2029	\$24,500.00	\$7,902.81	\$32,402.81	\$7,734.38	\$40,137.19	\$1,125,000.00
2030	\$25,000.00	\$7,734.38	\$32,734.38	\$7,562.50	\$40,296.88	\$1,100,000.00
2031	\$25,500.00	\$7,562.50	\$33,062.50	\$7,387.19	\$40,449.69	\$1,074,500.00
2032	\$26,000.00	\$7,387.19	\$33,387.19	\$7,208.44	\$40,595.63	\$1,048,500.00
2033	\$26,500.00	\$7,208.44	\$33,708.44	\$7,026.25	\$40,734.69	\$1,022,000.00
2034	\$27,500.00	\$7,026.25	\$34,526.25	\$6,837.19	\$41,363.44	\$994,500.00
2035	\$28,000.00	\$6,837.19	\$34,837.19	\$6,644.69	\$41,481.88	\$966,500.00
2036	\$28,500.00	\$6,644.69	\$35,144.69	\$6,448.75	\$41,593.44	\$938,000.00
2037	\$29,500.00	\$6,448.75	\$35,948.75	\$6,245.94	\$42,194.69	\$908,500.00
2038	\$30,000.00	\$6,245.94	\$36,245.94	\$6,039.69	\$42,285.63	\$878,500.00
2039	\$31,000.00	\$6,039.69	\$37,039.69	\$5,826.56	\$42,866.25	\$847,500.00
2040	\$31,500.00	\$5,826.56	\$37,326.56	\$5,610.00	\$42,936.56	\$816,000.00
2041	\$32,500.00	\$5,610.00	\$38,110.00	\$5,386.56	\$43,496.56	\$783,500.00
2042	\$33,000.00	\$5,386.56	\$38,386.56	\$5,159.69	\$43,546.25	\$750,500.00
2043	\$34,000.00	\$5,159.69	\$39,159.69	\$4,925.94	\$44,085.63	\$716,500.00
2044	\$34,500.00	\$4,925.94	\$39,425.94	\$4,688.75	\$44,114.69	\$682,000.00
2045	\$35,500.00	\$4,688.75	\$40,188.75	\$4,444.69	\$44,633.44	\$646,500.00
2046	\$36,500.00	\$4,444.69	\$40,944.69	\$4,193.75	\$45,138.44	\$610,000.00
2047	\$37,000.00	\$4,193.75	\$41,193.75	\$3,939.38	\$45,133.13	\$573,000.00
2048	\$38,000.00	\$3,939.38	\$41,939.38	\$3,678.13	\$45,617.50	\$535,000.00
2049	\$39,000.00	\$3,678.13	\$42,678.13	\$3,410.00	\$46,088.13	\$496,000.00
2050	\$40,000.00	\$3,410.00	\$43,410.00	\$3,135.00	\$46,545.00	\$456,000.00
2051	\$41,000.00	\$3,135.00	\$44,135.00	\$2,853.13	\$46,988.13	\$415,000.00
2052	\$42,000.00	\$2,853.13	\$44,853.13	\$2,564.38	\$47,417.50	\$373,000.00
2053	\$43,000.00	\$2,564.38	\$45,564.38	\$2,268.75	\$47,833.13	\$330,000.00
2054	\$44,000.00	\$2,268.75	\$46,268.75	\$1,966.25	\$48,235.00	\$286,000.00
2055	\$45,000.00	\$1,966.25	\$46,966.25	\$1,656.88	\$48,623.13	\$241,000.00
2056	\$46,000.00	\$1,656.88	\$47,656.88	\$1,340.63	\$48,997.50	\$195,000.00
2057	\$47,000.00	\$1,340.63	\$48,340.63	\$1,017.50	\$49,358.13	\$148,000.00
2058	\$48,000.00	\$1,017.50	\$49,017.50	\$687.50	\$49,705.00	\$100,000.00
2059	\$49,500.00	\$687.50	\$50,187.50	\$347.19	\$50,534.69	\$50,500.00
2060	\$50,500.00	\$347.19	\$50,847.19	\$0.00	\$50,847.19	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$1,324,000.00	\$214,915.94		\$205,813.44	\$1,744,729.38	

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Name		McCreary County Water District			LOAN NUMBER	91-42
Bond Series		Amount of Bond			Interest Rate	Semi Annual
2021		\$542,000.00			1.750%	3/4/2022
			April	October		
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
						\$542,000.00
2022	\$9,000.00	\$701.63	\$9,701.63	\$4,663.75	\$14,365.38	\$533,000.00
2023	\$9,500.00	\$4,663.75	\$14,163.75	\$4,580.63	\$18,744.38	\$523,500.00
2024	\$9,500.00	\$4,580.63	\$14,080.63	\$4,497.50	\$18,578.13	\$514,000.00
2025	\$9,500.00	\$4,497.50	\$13,997.50	\$4,414.38	\$18,411.88	\$504,500.00
2026	\$10,000.00	\$4,414.38	\$14,414.38	\$4,326.88	\$18,741.25	\$494,500.00
2027	\$10,000.00	\$4,326.88	\$14,326.88	\$4,239.38	\$18,566.25	\$484,500.00
2028	\$10,500.00	\$4,239.38	\$14,739.38	\$4,147.50	\$18,886.88	\$474,000.00
2029	\$10,500.00	\$4,147.50	\$14,647.50	\$4,055.63	\$18,703.13	\$463,500.00
2030	\$10,500.00	\$4,055.63	\$14,555.63	\$3,963.75	\$18,519.38	\$453,000.00
2031	\$11,000.00	\$3,963.75	\$14,963.75	\$3,867.50	\$18,831.25	\$442,000.00
2032	\$11,000.00	\$3,867.50	\$14,867.50	\$3,771.25	\$18,638.75	\$431,000.00
2033	\$11,500.00	\$3,771.25	\$15,271.25	\$3,670.63	\$18,941.88	\$419,500.00
2034	\$11,500.00	\$3,670.63	\$15,170.63	\$3,570.00	\$18,740.63	\$408,000.00
2035	\$11,500.00	\$3,570.00	\$15,070.00	\$3,469.38	\$18,539.38	\$396,500.00
2036	\$12,000.00	\$3,469.38	\$15,469.38	\$3,364.38	\$18,833.75	\$384,500.00
2037	\$12,000.00	\$3,364.38	\$15,364.38	\$3,259.38	\$18,623.75	\$372,500.00
2038	\$12,500.00	\$3,259.38	\$15,759.38	\$3,150.00	\$18,909.38	\$360,000.00
2039	\$12,500.00	\$3,150.00	\$15,650.00	\$3,040.63	\$18,690.63	\$347,500.00
2040	\$13,000.00	\$3,040.63	\$16,040.63	\$2,926.88	\$18,967.50	\$334,500.00
2041	\$13,000.00	\$2,926.88	\$15,926.88	\$2,813.13	\$18,740.00	\$321,500.00
2042	\$13,500.00	\$2,813.13	\$16,313.13	\$2,695.00	\$19,008.13	\$308,000.00
2043	\$13,500.00	\$2,695.00	\$16,195.00	\$2,576.88	\$18,771.88	\$294,500.00
2044	\$14,000.00	\$2,576.88	\$16,576.88	\$2,454.38	\$19,031.25	\$280,500.00
2045	\$14,000.00	\$2,454.38	\$16,454.38	\$2,331.88	\$18,786.25	\$266,500.00
2046	\$14,500.00	\$2,331.88	\$16,831.88	\$2,205.00	\$19,036.88	\$252,000.00
2047	\$14,500.00	\$2,205.00	\$16,705.00	\$2,078.13	\$18,783.13	\$237,500.00
2048	\$15,000.00	\$2,078.13	\$17,078.13	\$1,946.88	\$19,025.00	\$222,500.00
2049	\$15,000.00	\$1,946.88	\$16,946.88	\$1,815.63	\$18,762.50	\$207,500.00
2050	\$15,500.00	\$1,815.63	\$17,315.63	\$1,680.00	\$18,995.63	\$192,000.00
2051	\$16,000.00	\$1,680.00	\$17,680.00	\$1,540.00	\$19,220.00	\$176,000.00
2052	\$16,000.00	\$1,540.00	\$17,540.00	\$1,400.00	\$18,940.00	\$160,000.00
2053	\$16,500.00	\$1,400.00	\$17,900.00	\$1,255.63	\$19,155.63	\$143,500.00
2054	\$16,500.00	\$1,255.63	\$17,755.63	\$1,111.25	\$18,866.88	\$127,000.00
2055	\$17,000.00	\$1,111.25	\$18,111.25	\$962.50	\$19,073.75	\$110,000.00
2056	\$17,500.00	\$962.50	\$18,462.50	\$809.38	\$19,271.88	\$92,500.00
2057	\$17,500.00	\$809.38	\$18,309.38	\$656.25	\$18,965.63	\$75,000.00
2058	\$18,000.00	\$656.25	\$18,656.25	\$498.75	\$19,155.00	\$57,000.00
2059	\$18,500.00	\$498.75	\$18,998.75	\$336.88	\$19,335.63	\$38,500.00
2060	\$18,500.00	\$336.88	\$18,836.88	\$175.00	\$19,011.88	\$20,000.00
2061	\$20,000.00	\$175.00	\$20,175.00	\$0.00	\$20,175.00	\$0.00

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

Name	McCreary County Water District				LOAN NUMBER	91-40
Bond Series	Amount of Bond			Interest Rate	Semi Annual	
2023	\$615,000.00			1.875%	12/14/2023	
		April	October			
YEAR	PRINCIPAL	INTEREST	Principal/ Interest Payment Due	INTEREST Interest Payment Due	Yearly Total Paid	BALANCE
						\$615,000.00
2024	\$10,500.00	\$701.63	\$11,201.63	\$5,667.19	\$16,868.82	\$604,500.00
2025	\$10,500.00	\$5,667.19	\$16,167.19	\$5,568.75	\$21,735.94	\$594,000.00
2026	\$11,000.00	\$5,568.75	\$16,568.75	\$5,465.63	\$22,034.38	\$583,000.00
2027	\$11,000.00	\$5,465.63	\$16,465.63	\$5,362.50	\$21,828.13	\$572,000.00
2028	\$11,500.00	\$5,362.50	\$16,862.50	\$5,254.69	\$22,117.19	\$560,500.00
2029	\$11,500.00	\$5,254.69	\$16,754.69	\$5,146.88	\$21,901.56	\$549,000.00
2030	\$11,500.00	\$5,146.88	\$16,646.88	\$5,039.06	\$21,685.94	\$537,500.00
2031	\$12,000.00	\$5,039.06	\$17,039.06	\$4,926.56	\$21,965.63	\$525,500.00
2032	\$12,000.00	\$4,926.56	\$16,926.56	\$4,814.06	\$21,740.63	\$513,500.00
2033	\$12,500.00	\$4,814.06	\$17,314.06	\$4,696.88	\$22,010.94	\$501,000.00
2034	\$12,500.00	\$4,696.88	\$17,196.88	\$4,579.69	\$21,776.56	\$488,500.00
2035	\$13,000.00	\$4,579.69	\$17,579.69	\$4,457.81	\$22,037.50	\$475,500.00
2036	\$13,000.00	\$4,457.81	\$17,457.81	\$4,335.94	\$21,793.75	\$462,500.00
2037	\$13,500.00	\$4,335.94	\$17,835.94	\$4,209.38	\$22,045.31	\$449,000.00
2038	\$13,500.00	\$4,209.38	\$17,709.38	\$4,082.81	\$21,792.19	\$435,500.00
2039	\$14,000.00	\$4,082.81	\$18,082.81	\$3,951.56	\$22,034.38	\$421,500.00
2040	\$14,000.00	\$3,951.56	\$17,951.56	\$3,820.31	\$21,771.88	\$407,500.00
2041	\$14,500.00	\$3,820.31	\$18,320.31	\$3,684.38	\$22,004.69	\$393,000.00
2042	\$14,500.00	\$3,684.38	\$18,184.38	\$3,548.44	\$21,732.81	\$378,500.00
2043	\$15,000.00	\$3,548.44	\$18,548.44	\$3,407.81	\$21,956.25	\$363,500.00
2044	\$15,000.00	\$3,407.81	\$18,407.81	\$3,267.19	\$21,675.00	\$348,500.00
2045	\$15,500.00	\$3,267.19	\$18,767.19	\$3,121.88	\$21,889.06	\$333,000.00
2046	\$15,500.00	\$3,121.88	\$18,621.88	\$2,976.56	\$21,598.44	\$317,500.00
2047	\$16,000.00	\$2,976.56	\$18,976.56	\$2,826.56	\$21,803.13	\$301,500.00
2048	\$16,500.00	\$2,826.56	\$19,326.56	\$2,671.88	\$21,998.44	\$285,000.00
2049	\$16,500.00	\$2,671.88	\$19,171.88	\$2,517.19	\$21,689.06	\$268,500.00
2050	\$17,000.00	\$2,517.19	\$19,517.19	\$2,357.81	\$21,875.00	\$251,500.00
2051	\$17,500.00	\$2,357.81	\$19,857.81	\$2,193.75	\$22,051.56	\$234,000.00
2052	\$17,500.00	\$2,193.75	\$19,693.75	\$2,029.69	\$21,723.44	\$216,500.00
2053	\$18,000.00	\$2,029.69	\$20,029.69	\$1,860.94	\$21,890.63	\$198,500.00
2054	\$18,500.00	\$1,860.94	\$20,360.94	\$1,687.50	\$22,048.44	\$180,000.00
2055	\$18,500.00	\$1,687.50	\$20,187.50	\$1,514.06	\$21,701.56	\$161,500.00
2056	\$19,000.00	\$1,514.06	\$20,514.06	\$1,335.94	\$21,850.00	\$142,500.00
2057	\$19,500.00	\$1,335.94	\$20,835.94	\$1,153.13	\$21,989.06	\$123,000.00
2058	\$19,500.00	\$1,153.13	\$20,653.13	\$970.31	\$21,623.44	\$103,500.00
2059	\$20,000.00	\$970.31	\$20,970.31	\$782.81	\$21,753.13	\$83,500.00
2060	\$20,500.00	\$782.81	\$21,282.81	\$590.63	\$21,873.44	\$63,000.00
2061	\$21,000.00	\$590.63	\$21,590.63	\$393.75	\$21,984.38	\$42,000.00
2062	\$21,000.00	\$393.75	\$21,393.75	\$196.88	\$21,590.63	\$21,000.00
2063	\$21,000.00	\$196.88	\$21,196.88	\$0.00	\$21,196.88	\$0.00
	Total Prin. Paid	Total Semi-Annual Int. Paid		Total Semi-Annual Int. Paid	Total Bond Prin./Int. Paid	
	\$615,000.00	\$127,170.38		\$126,468.75	\$868,639.13	

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

EXHIBIT B

>> SCHEDULE OF PAYMENTS & OPTION TO PURCHASE PRICE <<
MUNICIPAL LEASE-PURCHASE AGREEMENT No.8306 (THE "AGREEMENT")
BY AND BETWEEN

Lessor: Government Capital Corporation and **Lessee:** McCreary County Water District
Schedule dated as of September 7, 2018

PMT NO.	PMT DATE MO DAY YR	TOTAL PAYMENT	INTEREST PAID	PRINCIPAL PAID	OPTION TO PURCHASE after pmt on this line
1	8/1/2019	\$97,666.78	\$28,311.82	\$69,354.96	N/A
2	8/1/2020	\$97,666.78	\$28,721.36	\$68,945.42	N/A
3	8/1/2021	\$97,666.78	\$26,001.30	\$71,665.48	N/A
4	8/1/2022	\$97,666.78	\$23,173.92	\$74,492.86	N/A
5	8/1/2023	\$97,666.78	\$20,235.00	\$77,431.78	\$439,428.88
6	8/1/2024	\$97,666.78	\$17,180.13	\$80,486.65	\$357,728.89
7	8/1/2025	\$97,666.78	\$14,004.74	\$83,662.04	\$273,046.85
8	8/1/2026	\$97,666.78	\$10,704.07	\$86,962.71	\$185,273.92
9	8/1/2027	\$97,666.78	\$7,273.18	\$90,393.60	\$94,297.28
10	8/1/2028	\$97,666.78	\$3,706.94	\$93,959.84	\$1.00
Grand Totals		\$976,667.80	\$179,312.46	\$797,355.34	

Rate: 3.945%

EXHIBIT I

EXHIBIT I

STATEMENTS OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

Attached are Statements of Disclosure of Related Party Transactions from each member of McCreary County Water District's ("the District") Board of Commissioners and the District Superintendent. The items listed on each statement reflect the District's total payments to related parties during the last 24 months for goods and services provided to water and sewer operations. Raymond Taylor is a member of the Board of Commissioners. In Spring 2024 he prepared the tract of land that the District uses for sludge landfarming. Commissioner Taylor owns a tractor and other equipment necessary to prepare the land. The District does not. It compensated Commissioner Taylor only for his cost to perform this work. Repair and Service Solutions LLC is a limited liability company whose members are District Superintendent Stephen Whitaker and District employee Rick Watters. It refurbished, repaired and rebuilt pumping equipment for the District. It performed the work at a lower cost and a higher level of quality, and much quicker than other available vendors. The District also purchased a utility crane truck from Repair and Service Solutions LLC. The purchase price was determined based upon the vehicle's age and condition and did not exceed the vehicle's estimated market value.

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
Repair and Service Solutions LLC	Repair of Intake Pump	\$1,400.00
Repair and Service Solutions LLC	Sale and Install Pipe Rack for District Truck	\$1,500.00
Repair and Service Solutions LLC	Rebuild Raw Water Pump	\$6,000.00
Repair and Service Solutions LLC	Sale of Crane Truck	\$18,000.00

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

Randy Kidd
(Print Name)


(Signed)

Commissioner
(Position/Office)

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

COMMONWEALTH OF KENTUCKY

COUNTY OF McCreary

Subscribed and sworn to before me by Randy Kidd
(Name)

this 15 day of May, 2025.

Kathy Dyer
NOTARY PUBLIC

State-at-Large

NOTARY ID NO. KVNP52405

My Commission Expires 7/13/2026

SUPPLEMENTAL SHEET
STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

Name: Randy Kidd

Position: Commissioner

[illegible]

EMPLOYEES RELATED TO UTILITY OFFICIALS

Employee Name	Relationship	Relative	Relative's Position
Jennifer Whitaker	Spouse	Stephen Whitaker	Superintendent
Derrick Taylor	Grandchild	Raymond Taylor	Commissioner
Jared Miller	Grandchild	Raymond Taylor	Commissioner
Justin Jones	Brother-In-Law	Randy Kidd	Commissioner
Rebecca Clark	Daughter	Doug Sexton	Commissioner

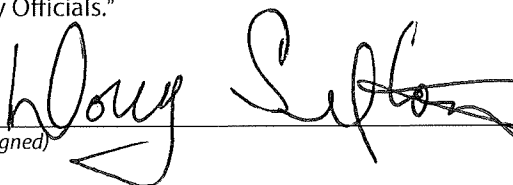
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
Repair and Service Solutions LLC	Repair of Intake Pump	\$1,400.00
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Repair and Service Solutions LLC	Sale of Crane Truck	\$18,000.00

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- ☒ Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Doug Sexton
(Print Name)


(Signed)

Commissioner
(Position/Office)

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

COMMONWEALTH OF KENTUCKY

COUNTY OF McCreary

Subscribed and sworn to before me by Doug Sexton
(Name)

this 15 day of May, 2025.



NOTARY PUBLIC

State-at-Large

NOTARY ID NO.

KVNP52405

My Commission Expires

7/13/2026

SUPPLEMENTAL SHEET
STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

Name: Doug Sexton

Position: Commissioner

[illegible]

EMPLOYEES RELATED TO UTILITY OFFICIALS

Employee Name	Relationship	Relative	Relative's Position
Jennifer Whitaker	Spouse	Stephen Whitaker	Superintendent
Derrick Taylor	Grandchild	Raymond Taylor	Commissioner
Jared Miller	Grandchild	Raymond Taylor	Commissioner
Justin Jones	Brother-In-Law	Randy Kidd	Commissioner
Rebecca Clark	Daughter	Doug Sexton	Commissioner

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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

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Mark Sumner
(Print Name)


(Signed)

Commissioner
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF McCreary

Subscribed and sworn to before me by Mark Sumner
(Name)

this 15 day of May, 2025.



NOTARY PUBLIC
State-at-Large

NOTARY ID NO. KVNP52405

My Commission Expires 7/13/2026

SUPPLEMENTAL SHEET
STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

Name: Mark Sumner

Position: Commissioner

[illegible]

EMPLOYEES RELATED TO UTILITY OFFICIALS

Employee Name	Relationship	Relative	Relative's Position
Jennifer Whitaker	Spouse	Stephen Whitaker	Superintendent
Derrick Taylor	Grandchild	Raymond Taylor	Commissioner
Jared Miller	Grandchild	Raymond Taylor	Commissioner
Justin Jones	Brother-In-Law	Randy Kidd	Commissioner
Rebecca Clark	Daughter	Doug Sexton	Commissioner

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Coy Taylor
(Print Name)


(Signed)

Commissioner
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF McCreary

Subscribed and sworn to before me by Coy Taylor
(Name)

this 16 day of May, 2025.

Kathy Apell
NOTARY PUBLIC

State-at-Large

NOTARY ID NO.

K/N P5 2405

My Commission Expires

7/3/2026

SUPPLEMENTAL SHEET
STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

Name: Coy Taylor

Position: Commissioner

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
Raymond Taylor	Clearing/spraying/seeding landfarm area	\$800.00

EMPLOYEES RELATED TO UTILITY OFFICIALS

Employee Name	Relationship	Relative	Relative's Position
Jennifer Whitaker	Spouse	Stephen Whitaker	Superintendent
Derrick Taylor	Grandchild	Raymond Taylor	Commissioner
Jared Miller	Grandchild	Raymond Taylor	Commissioner
Justin Jones	Brother-In-Law	Randy Kidd	Commissioner
Rebecca Clark	Daughter	Doug Sexton	Commissioner

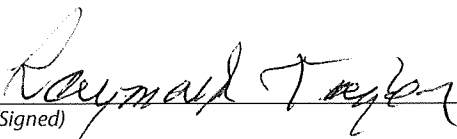
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Raymond Taylor
(Print Name)


(Signed)

Commissioner
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF McCreary

Subscribed and sworn to before me by Raymond Taylor
(Name)

this 15 day of May, 2025.

Kathy Orrell

NOTARY PUBLIC
State-at-Large

NOTARY ID NO. KYNP52405

My Commission Expires 7/13/2026

SUPPLEMENTAL SHEET
STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

Name: Raymond Taylor

Position: Commissioner

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
Raymond Taylor	Clearing/spraying/seeding landfarm area	\$800.00

EMPLOYEES RELATED TO UTILITY OFFICIALS

Employee Name	Relationship	Relative	Relative's Position
Jennifer Whitaker	Spouse	Stephen Whitaker	Superintendent
Derrick Taylor	Grandchild	Raymond Taylor	Commissioner
Jared Miller	Grandchild	Raymond Taylor	Commissioner
Justin Jones	Brother-In-Law	Randy Kidd	Commissioner
Rebecca Clark	Daughter	Doug Sexton	Commissioner

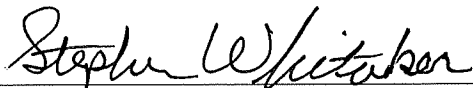
**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
Repair and Service Solutions LLC	Repair of Intake Pump	\$1,400.00
Repair and Service Solutions LLC	Sale and Install Pipe Rack for District Truck	\$1,500.00
Repair and Service Solutions LLC	Rebuild Raw Water Pump	\$6,000.00
Repair and Service Solutions LLC	Sale of Crane Truck	\$18,000.00

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

Stephen Whitaker
(Print Name)


(Signed)

Superintendent
(Position/Office)

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

COMMONWEALTH OF KENTUCKY

COUNTY OF McCreary

Subscribed and sworn to before me by Stephen Whitaker
(Name)

this 14 day of May, 2025.

Kathy D. Jell
NOTARY PUBLIC

State-at-Large

NOTARY ID NO. KVNP52405

My Commission Expires 7/3/2026

SUPPLEMENTAL SHEET
STATEMENT OF DISCLOSURE OF RELATED PARTY TRANSACTIONS

Name: Stephen Whitaker

Position: Superintendent

[illegible]

EMPLOYEES RELATED TO UTILITY OFFICIALS

Employee Name	Relationship	Relative	Relative's Position
Jennifer Whitaker	Spouse	Stephen Whitaker	Superintendent
Derrick Taylor	Grandchild	Raymond Taylor	Commissioner
Jared Miller	Grandchild	Raymond Taylor	Commissioner
Justin Jones	Brother-In-Law	Randy Kidd	Commissioner
Rebecca Clark	Daughter	Doug Sexton	Commissioner

EXHIBIT J

RESOLUTION

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF MCCREARY COUNTY WATER DISTRICT AUTHORIZING APPLICATIONS TO THE KENTUCKY PUBLIC SERVICE COMMISSION FOR AUTHORITY TO ADJUST RATES FOR WATER AND SEWER SERVICE

WHEREAS, McCreary County Water District (“McCreary District”) is a water district created pursuant to the provisions of KRS Chapter 74;

WHEREAS, pursuant to KRS 278.015, the Kentucky General Assembly has declared water districts to be public utilities and subject to the jurisdiction of the Kentucky Public Service Commission (“the Commission”) in the same manner and to the same extent as any other utility as defined in KRS 278.010;

WHEREAS, on March 9, 2022, in Case No. 2022-00009, the Commission ordered McCreary District to file applications for rate adjustment for its rates for water and sewer service within three years of the Commission’s final decisions in Cases No. 2021-00300 and No. 2021-00301;

WHEREAS, the Commission issued final decisions in Cases No. 2021-00300 and No. 2021-00301 on September 30, 2022 and July 27, 2022, respectively;

WHEREAS, McCreary District has prepared rate reviews using the ratemaking methodology that the Kentucky Public Service Commission has historically employed for water districts to establish the appropriate level of revenue from its rates for water and sewer service and those reviews indicate that McCreary District’s present rates for water and sewer service are producing less than the level of revenue required to meet McCreary District’s operating expenses, service its debt obligations and provide for adequate working capital and that an increase in McCreary District’s current rates for water and sewer service is necessary to ensure adequate and reliable service;

WHEREAS McCreary District’s rate reviews suggest that an increase in water rates sufficient to produce additional revenues of \$747,980 and an increase in sewer rates sufficient to produce additional revenues of \$70,066 are appropriate;

WHEREAS, the Board of Commissioners finds that McCreary District’s water rates should be increased to the levels to produce additional revenues of \$747,980, that such increase should be implemented in two phases, and that the rates set forth in **Exhibit A** to this Resolution will achieve that result;

WHEREAS, the Board of Commissioners further finds that McCreary District’s sewer rates should be increased to produce additional revenues of \$70,066 and that the rates set forth in **Exhibit B** to this Resolution will achieve that result; and,

WHEREAS, KRS 278.180 and 807 KAR 5:076 require McCreary District to serve notice of its proposed rate adjustments on and to make applications for rate adjustment to the Kentucky Public Service Commission;

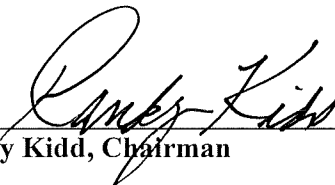
NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF MCCREARY COUNTY WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. The Chairman is authorized and directed to take all actions reasonably necessary to apply to the Kentucky Public Service Commission, pursuant to 807 KAR 5:076, for authority to adjust McCreary District's rates for water and sewer service to those set forth in Exhibits A and B to this Resolution.

Section 3. The Chairman, or his designated agent, is hereby authorized and directed to execute applications to the Kentucky Public Service Commission necessary to obtain an adjustment of rates for water and sewer service.

ADOPTED BY THE BOARD OF COMMISSIONERS OF MCCREARY COUNTY WATER DISTRICT at its regular monthly meeting held on April 29, 2025, signed by the Chairman, and attested by the Secretary.



Randy Kidd, Chairman

ATTEST:



Mark Sumner, Secretary

EXHIBIT A

**EXHIBIT TO A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF MCCREARY COUNTY WATER DISTRICT DATED APRIL 29, 2025**

Water Service	
Phase 1 – Effective on Approval	
Residential/Non-Residential	
First 2,000 Gallons	\$ 26.42 Minimum Bill
Over 2,000 Gallons	0.01086 Per Gallon
Flat Rate Customers	
Whitley County Water District	\$ 0.00855 Per Gallon
Oneida, Tennessee	\$ 0.00855 Per Gallon
Fibrotex USA	\$ 0.00855 Per Gallon
Pine Knot Job Center	\$ 0.00855 Per Gallon
McCreary County Housing Authority	\$ 0.00855 Per Gallon
Cumberland Falls State Resort Park	
First 600,000 Gallons	\$ 5,137.31 Minimum
Over 600,000 Gallons	\$ 0.00855 Per Gallon
U.S. Penitentiary-McCreary	
First 1,950,000 Gallons	\$16,696.27 Minimum
Over 1,950,000 Gallons	\$ 0.00855 Per Gallon

Water Service	
Phase 2 – Effective One Year After Approval of Phase 1 Rates	
Residential/Non-Residential	
First 2,000 Gallons	\$ 28.42 Minimum Bill
Over 2,000 Gallons	0.01169 Per Gallon
Flat Rate Customers	
Whitley County Water District	\$ 0.00920 Per Gallon
Oneida, Tennessee	\$ 0.00920 Per Gallon
Fibrotex USA	\$ 0.00920 Per Gallon
Pine Knot Job Center	\$ 0.00920 Per Gallon
McCreary County Housing Authority	\$ 0.00920 Per Gallon
Cumberland Falls State Resort Park	
First 600,000 Gallons	\$ 5,526.65 Minimum
Over 600,000 Gallons	\$ 0.00920 Per Gallon
U.S. Penitentiary-McCreary	
First 1,950,000 Gallons	\$17,961.60 Minimum
Over 1,950,000 Gallons	\$ 0.00920 Per Gallon

EXHIBIT B

**EXHIBIT TO A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF MCCREARY COUNTY WATER DISTRICT DATED APRIL 29, 2025**

Sewer Service Effective on Approval	
All Users Except U.S. Penitentiary-McCreary	
First 2,000 Gallons	\$ 30.97 Minimum Bill
Next 18,000 Gallons	0.00033 Per Gallon
Over 20,000 Gallons	0.00960 Per Gallon
U.S. Penitentiary-McCreary	
First 1,300,000 Gallons	\$12,420.57 Minimum Bill
Over 1,300,000 Gallons	0.01081 Per Gallon

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the McCreary County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of the McCreary County Water District at a meeting duly held on April 29, 2025; that said official action appears as a matter of public record in McCreary County Water District's official records or journal; 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.

WITNESS my hand this 29th day of April 2025.



Mark Sumner, Secretary

EXHIBIT K

EXHIBIT K
COMPLIANCE WITH 807 KAR 5:076, SECTION 5

In accordance with 807 KAR 5:076, Section 5(2)(b), McCreary County Water District has caused the notice on the next page to be published in a prominent manner in *McCreary County Voice*, a newspaper of general circulation in McCreary County Water District's service area, once a week for three (3) consecutive weeks, beginning May 14, 2025.

On May 14, 2025, McCreary County Water District also sent by electronic mail or regular U.S. Postal Service mail written notices of filing of its application to: U.S. Penitentiary – McCreary; McCreary County Housing Authority; Whitley County Water District; Cumberland Falls State Resort Park; Water Department of the City of Oneida, Tennessee; Fibrotex USA, and the Pine Knot Job Corps Civilian Conservation Center. A copy of these notices is also attached.

In accordance with 807 KAR 5:076, Section 5(1)(a), McCreary County Water District has posted at its offices a copy of the notice on the next page as of May 16, 2025.

In accordance with 807 KAR 5:076, Section 5(1)(b), McCreary County Water District will no later than May 23, 2025 post on its website and its social media page a copy of the notice on the next page and a hyperlink to the location on the Public Service Commission's website where the case documents are available.

NOTICE

On or about May 16, 2025, McCreary County Water District (“the District”) will file applications with the Kentucky Public Service Commission (“PSC”) for the purpose of adjusting its monthly rates for water and sewer service. The District is making these applications to comply with the PSC’s Order of March 16, 2022 in Case No. 2022-00009. Under the methodology the PSC uses to establish rates for utility service, the District should increase its rates for water service approximately 16.4 percent and its rates for sewer service approximately 3.1 percent.

The District’s applications will be filed pursuant to the procedures set forth in 807 KAR 5:076. Under those procedures, the proposed rates may not be placed into effect until the PSC has issued an order approving the proposed rates or six (6) months from the date of the filing of the application, whichever occurs first.

The District proposes to adjust its rates for water service in two phases. Phase 1 rates will become effective upon the PSC’s approval. Phase 2 rates will become effective one year later. Its proposed rates for water service are as follows:

PHASE 1 (Water)				
Residential and Non-Residential Meter				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 2,000 Gallons	\$ 24.42 Minimum Bill	\$ 26.42 Minimum Bill	\$ 2.00	8.19
Over 2,000 Gallons	0.01004 Per Gallon	0.01086 Per Gallon	\$ 0.00082	8.17
Flat Rate Users				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
Whitley County Water District	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$ 0.00065	8.23
Oneida, Tennessee	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$ 0.00065	8.23
Fibrotex USA	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$ 0.00065	8.23
Pine Knot Job Center	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$ 0.00065	8.23
McCreary County Housing Authority	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$ 0.00065	8.23
Cumberland Falls State Park				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 600,000 Gallons	\$ 4,747.98 Minimum	\$ 5,137.31 Minimum	\$ 389.33	8.20
Over 600,000 Gallons	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$ 0.00065	8.23
U.S. Penitentiary -McCreary				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 1,950,000 Gallons	\$15,430.93 Minimum	\$16,696.27 Minimum	\$1,265.34	8.20
Over 1,950,000 Gallons	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$ 0.00065	8.23

PHASE 2 (Water)				
Residential and Non-Residential Meter				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 2,000 Gallons	\$ 24.42 Minimum Bill	\$ 28.42 Minimum Bill	\$4.00	16.38
Over 2,000 Gallons	0.01004 Per Gallon	0.01169 Per Gallon	\$0.00165	16.43
Flat Rate Users				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
Whitley County Water District	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46
Oneida, Tennessee	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46
Fibrotex USA	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46
Pine Knot Job Center	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46
McCreary County Housing Authority	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46
Cumberland Falls State Park				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 600,000 Gallons	\$ 4,747.98 Minimum	\$ 5,526.65 Minimum	\$778.67	16.40
Over 600,000 Gallons	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46
U.S. Penitentiary -McCreary				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 1,950,000 Gallons	\$15,430.93 Minimum	\$17,961.60 Minimum	\$2,530.67	16.40
Over 1,950,000 Gallons	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46

If the PSC approves the proposed water rate, the increase in a customer's monthly water bill will be:

Customer	Average Usage (gals)	Monthly Bill at Current Rate	Monthly Bill at Phase 1 Rate	Monthly Bill Increase (%)	Monthly Bill at Phase 2 Rate	Monthly Bill Increase (%)
Residential/Nonresidential	3,753	\$ 42.02	\$ 45.46	8.18	\$ 48.92	16.40
U.S. Penitentiary -McCreary	9,527,775	\$75,295.36	\$81,486.25	8.22	\$87,677.13	16.44
Cumberland Falls State Park	654,267	\$ 5,176.69	\$ 5,601.30	8.20	\$ 6,025.91	16.40
Whitley County Water District	726,992	\$ 5,742.24	\$ 6,215.79	8.23	\$ 6,688.33	16.46
Oneida, Tennessee	3,567	\$ 28.18	\$ 30.50	8.23	\$ 32.82	16.46
Fibrotex USA	646,634	\$ 5,108.41	\$ 5,528.72	8.23	\$ 5,949.03	16.46
Pine Knot Job Center	482,592	\$ 3,812.48	\$ 4,126.17	8.23	\$ 4,439.85	16.46
McCreary County Housing Authority	176,467	\$ 1,394.09	\$ 1,508.80	8.23	\$ 1,623.50	16.46

The District proposes to adjust its rates for sewer service effective upon the PSC's approval. The proposed rates for sewer service are as follows:

Sewer				
All Users Except U.S. Penitentiary-McCreary				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 2,000 Gallons	\$30.03 Minimum Bill	\$ 30.97 Minimum Bill	\$0.94	3.13
Next 18,000 Gallons	0.01048 Per Gallon	0.01081 Per Gallon	\$0.00033	3.15
Over 20,000 Gallons	0.00931 Per Gallon	0.00960 Per Gallon	\$0.00029	3.11
U.S. Penitentiary-McCreary				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 1,300,000 Gallons	\$12,044.27 Minimum Bill	\$12,420.57 Minimum Bill	\$376.30	3.12
Over 1,300,000 Gallons	0.01048 Per Gallon	0.01081 Per Gallon	\$0.00033	3.15

If the PSC approves the proposed sewer rates, the monthly bill for a sewer customer who uses 4,000 gallons of water will increase from \$50.99 to \$52.59, or 3.14 percent. The monthly bill for U.S. Penitentiary-McCreary, which produces an average of 9,613,908 gallons of wastewater monthly, will increase from \$99,174.03 to \$102,293.90, or 3.15 percent.

The PSC has established Cases No. 2025-00135 (Sewer) and No. 2025-00136 (Water) to review the District's applications. Any person may examine these applications at the District's office, 456 N. Highway 27, Whitley City, Kentucky 42653 or at the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <https://psc.ky.gov/Case/ViewCaseFilings/2025-135> (Sewer) or <https://psc.ky.gov/Case/ViewCaseFilings/2025-136> (Water).

Comments regarding either application may be submitted to the PSC through the Commission's Web Site at <http://psc.ky.gov/case/searchcasesPublicComments> or by e-mail to psced@ky.gov or by mail to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

The rates contained in this notice are the rates proposed by the District. However, the PSC may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates in this notice.

A person may submit a timely written request for intervention to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the person's status and interest. If the PSC does not receive a written request for intervention within thirty (30) days of the initial publication of notice, it may take final action on the proposed rates.

McCreary County Water District
First Publication Date: May 14, 2025



May 14, 2025

U.S. Penitentiary McCreary
330 Federal Way
Pine Knot, KY 42635-7000
Email: MCR-ExecAssistant-S@bop.gov

VIA ELECTRONIC MAIL

Re: Notice of Adjustment of Rates for Water and Sewer Service

To Whom It May Concern:

On or about May 16, 2025, McCreary County Water District (“the District”) will file applications with the Kentucky Public Service Commission (“PSC”) for the purpose of adjusting its monthly rates for water and sewer service. The District is making these applications to comply with the PSC’s Order of March 16, 2022 in Case No. 2022-00009. Under the methodology the PSC uses to establish rates for utility service, the District should increase its rates for water service approximately 16.4 percent and its rates for sewer service approximately 3.1 percent.

The District’s applications will be filed pursuant to the procedures set forth in 807 KAR 5:076. Under those procedures, the proposed rates may not be placed into effect until the PSC has issued an order approving the proposed rates or six (6) months from the date of the filing of the application, whichever occurs first.

The District proposes to adjust its rates for water service to U.S. Penitentiary McCreary in two phases. Phase 1 rates will become effective upon the PSC’s approval. Phase 2 rates will become effective one year later. Its proposed rates for water service are as follows:

Phase 1				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 1,950,000 Gallons	\$15,430.93 Minimum	\$16,696.27 Minimum	\$1,265.34	8.20
Over 1,950,000 Gallons	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$ 0.00065	8.23
Phase 2				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 1,950,000 Gallons	\$15,430.93 Minimum	\$17,961.60 Minimum	\$2,530.67	16.40*
Over 1,950,000 Gallons	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46*

*Total change from the present rate after Phase 2 rate takes effect.

If the PSC approves the proposed water rate, the increase in U.S. Penitentiary McCreary's monthly water bill, based upon an average monthly usage of 9,527,775 gallons, will be as follows:

Monthly Bill at Current Rate	Monthly Bill at Phase 1 Rate	Monthly Bill Increase (%)	Monthly Bill at Phase 2 Rate	Monthly Bill Increase(%)
\$75,295.36	\$81,469.57	8.20	\$88,150.07	8.20

The District proposes to adjust its rates for sewer service effective upon the PSC's approval. Its proposed rates for sewer service to U.S. Penitentiary McCreary are:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 1,300,000 Gallons	\$12,044.27 Minimum	\$12,420.57 Minimum	\$376.30	3.12
Over 1,300,000 Gallons	\$0.01048 Per Gallon	\$0.01081 Per Gallon	\$0.00033	3.15

If the PSC approves the proposed sewer rates, the monthly bill for U.S. Penitentiary-McCreary, which produces an average of 9,613,908 gallons of wastewater monthly, will increase from \$99,174.03 to \$102,293.90, or 3.15 percent.

The PSC has established Cases No. 2025-00135 (Sewer) and No. 2025-00136 (Water) to review the District's applications. Any person may examine these applications at the District's office, 456 N. Highway 27, Whitley City, Kentucky 42653 or at the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <https://psc.ky.gov/Case/ViewCaseFilings/2025-135> (Sewer) or <https://psc.ky.gov/Case/ViewCaseFilings/2025-136> (Water).

Comments regarding the applications may be submitted to the PSC through the Commission's Web Site at <http://psc.ky.gov/case/searchcasesPublicComments> or by e-mail to psced@ky.gov or by mail to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

The rates contained in this notice are the rates proposed by the District. However, the PSC may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates in this notice.

A person may submit a timely written request for intervention to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the person's status and interest. If the PSC does not receive a written request for intervention within thirty (30) days of the initial publication of notice, it may take final action on the proposed rates.

U.S Penitentiary McCreary
May 14, 2025
Page 3

If you have any questions regarding the proposed rate adjustment, please contact me at (606) 376-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Whitaker". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stephen Whitaker
Superintendent



May 14, 2025

Ms. Cindy Taylor
Executive Director
McCreary County Housing Authority
488 E Hwy 2792 Ste 400
Pine Knot, KY 42635-8108

Re: Notice of Adjustment of Rates for Water and Sewer Service

Dear Ms. Taylor:

On or about May 16, 2025, McCreary County Water District (“the District”) will file applications with the Kentucky Public Service Commission (“PSC”) for the purpose of adjusting its monthly rates for water and sewer service. The District is making these applications to comply with the PSC’s Order of March 16, 2022 in Case No. 2022-00009. Under the methodology the PSC uses to establish rates for utility service, the District should increase its rates for water service approximately 16.4 percent and its rates for sewer service approximately 3.1 percent.

The District’s applications will be filed pursuant to the procedures set forth in 807 KAR 5:076. Under those procedures, the proposed rates may not be placed into effect until the PSC has issued an order approving the proposed rates or six (6) months from the date of the filing of the application, whichever occurs first.

The District proposes to adjust its rates for water service to the McCreary County Housing Authority in two phases. Phase 1 rates will become effective upon the PSC’s approval. Phase 2 rates will become effective one year later. Its proposed rates for water service are as follows:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
Phase 1	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$0.00065	8.23
Phase 2	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46*

If the PSC approves the proposed water rate, the increase in the Housing Authority’s monthly water bill, based upon an average monthly usage of 176,467 gallons, will be as follows:

Monthly Bill at Current Rate	Monthly Bill at Phase 1 Rate	Monthly Bill Increase (%)	Monthly Bill at Phase 2 Rate	Monthly Bill Increase(%)
\$ 1,394.09	\$ 1,508.80	8.23	\$ 1,623.50	16.46*

*Total change from the present rate after Phase 2 rate takes effect.

The District proposes to adjust its rates for sewer service effective upon the PSC's approval. Its proposed rates for sewer service to the Housing Authority are:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 2,000 Gallons	\$30.03 Minimum Bill	\$ 30.97 Minimum Bill	\$0.94	3.13
Next 18,000 Gallons	0.01048 Per Gallon	0.01081 Per Gallon	\$0.00033	3.15
Over 20,000 Gallons	0.00931 Per Gallon	0.00960 Per Gallon	\$0.00029	3.11

If the PSC approves the proposed sewer rates, the monthly bill for the Housing Authority, based upon an average of 167,750 gallons of wastewater monthly, will increase from \$1,594.23 to \$1,643.95, or 3.12 percent.

The PSC has established Cases No. 2025-00135 (Sewer) and No. 2025-00136 (Water) to review the District's applications. Any person may examine these applications at the District's office, 456 N. Highway 27, Whitley City, Kentucky 42653 or at the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <https://psc.ky.gov/Case/ViewCaseFilings/2025-135> (Sewer) or <https://psc.ky.gov/Case/ViewCaseFilings/2025-136> (Water).

Comments regarding the applications may be submitted to the PSC through the Commission's Web Site at <http://psc.ky.gov/case/searchcasesPublicComments> or by e-mail to pscled@ky.gov or by mail to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

The rates contained in this notice are the rates proposed by the District. However, the PSC may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates in this notice.

A person may submit a timely written request for intervention to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the person's status and interest. If the PSC does not receive a written request for intervention within thirty (30) days of the initial publication of notice, it may take final action on the proposed rates.

If you have any questions regarding the proposed rate adjustment, please contact me at (606) 376-2540.

Sincerely,



Stephen Whitaker
Superintendent



May 14, 2025

Ms. Sandra Smith
Whitley County Water District
19 South Highway 25 W
Williamsburg, KY 40769-1926

Re: Notice of Adjustment of Rates for Water Service

Dear Ms. Smith:

On or about May 16, 2025, McCreary County Water District (“the District”) will file an application with the Kentucky Public Service Commission (“PSC”) for the purpose of adjusting its monthly rates for water service. The District is making this application to comply with the PSC’s Order of March 16, 2022 in Case No. 2022-00009. Under the methodology the PSC uses to establish rates for utility service, the District should increase its rates for water service approximately 16.4 percent.

The District’s application will be filed pursuant to the procedures set forth in 807 KAR 5:076. Under those procedures, the proposed rates may not be placed into effect until the PSC has issued an order approving the proposed rates or six (6) months from the date of the filing of the application, whichever occurs first.

The District proposes to adjust its rates for water service to Whitley County Water District in two phases. Phase 1 rates will become effective upon the PSC’s approval. Phase 2 rates will become effective one year later. Its proposed rates for water service are as follows:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
Phase 1	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$0.00065	8.23
Phase 2	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46*

If the PSC approves the proposed water rate, the increase in Whitley County Water District’s monthly water bill, based upon an average monthly usage of 726,992 gallons, will be as follows:

Monthly Bill at Current Rate	Monthly Bill at Phase 1 Rate	Monthly Bill Increase (%)	Monthly Bill at Phase 2 Rate	Monthly Bill Increase(%)
\$ 5,742,24	\$ 6,215.79	8.23	\$ 6,688.33	16.46*

*Total change from the present rate after Phase 2 rate takes effect.

Ms. Sandra Smith
May 14, 2025
Page 2

The PSC has established Case No. 2025-00136 to review the District's application. Any person may examine this application at the District's office, 456 N. Highway 27, Whitley City, Kentucky 42653 or at the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <https://psc.ky.gov/Case/ViewCaseFilings/2025-136>.

Comments regarding the application may be submitted to the PSC through the Commission's Web Site at <http://psc.ky.gov/case/searchcasesPublicComments> or by e-mail to psced@ky.gov or by mail to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

The rates contained in this notice are the rates proposed by the District. However, the PSC may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates in this notice.

A person may submit a timely written request for intervention to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the person's status and interest. If the PSC does not receive a written request for intervention within thirty (30) days of the initial publication of notice, it may take final action on the proposed rates.

If you have any questions regarding the proposed rate adjustment, please contact me at (606) 376-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Whitaker", written in a cursive style.

Stephen Whitaker
Superintendent



May 14, 2025

Ms. Maggy Monhollen
Cumberland Falls State Resort Park
7351 Hwy 90
Corbin, KY 40701-8857

Re: Notice of Adjustment of Rates for Water Service

Dear Ms. Monhollen:

On or about May 16, 2025, McCreary County Water District ("the District") will file an application with the Kentucky Public Service Commission ("PSC") for the purpose of adjusting its monthly rates for water service. The District is making this application to comply with the PSC's Order of March 16, 2022 in Case No. 2022-00009. Under the methodology the PSC uses to establish rates for utility service, the District should increase its rates for water service approximately 16.4 percent.

The District's application will be filed pursuant to the procedures set forth in 807 KAR 5:076. Under those procedures, the proposed rates may not be placed into effect until the PSC has issued an order approving the proposed rates or six (6) months from the date of the filing of the application, whichever occurs first.

The District proposes to adjust its rates for water service to Cumberland Falls State Resort Park in two phases. Phase 1 rates will become effective upon the PSC's approval. Phase 2 rates will become effective one year later. Its proposed rates for water service are as follows:

Phase 1				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 600,000 Gallons	\$4,747.98 Minimum	\$5,137.31 Minimum	\$ 389.33	8.20
Over 600,000 Gallons	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$0.00065	8.23
Phase 2				
	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 600,000 Gallons	\$4,747.98 Minimum	\$5,526.65 Minimum	\$778.67	16.40*
Over 600,000 Gallons	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46*

*Total change from the present rate after Phase 2 takes effect.

Ms. Maggy Monhollen
May 14, 2025
Page 2

If the PSC approves the proposed water rate, the increase in the Park's monthly water bill, based upon an average monthly usage of 654,267 gallons, will be as follows:

Monthly Bill at Current Rate	Monthly Bill at Phase 1 Rate	Monthly Bill Increase (%)	Monthly Bill at Phase 2 Rate	Monthly Bill Increase(%)
\$ 5,176.69	\$ 5,601.30	8.20	\$ 6,025.91	16.40

The PSC has established Case No. 2025-00136 to review the District's application. Any person may examine this application at the District's office, 456 N. Highway 27, Whitley City, Kentucky 42653 or at the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <https://psc.ky.gov/Case/ViewCaseFilings/2025-136>.

Comments regarding the application may be submitted to the PSC through the Commission's Web Site at <http://psc.ky.gov/case/searchcasesPublicComments> or by e-mail to psced@ky.gov or by mail to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

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If you have any questions regarding the proposed rate adjustment, please contact me at (606) 376-2540.

Sincerely,



Stephen Whitaker
Superintendent



May 14, 2025

Mr. Stephen T Owens
Oneida Water
19922 Alberta Street Suite 2
Oneida, TN 37841-3363

Re: Notice of Adjustment of Rates for Water Service

Dear Mr. Owens:

On or about May 16, 2025, McCreary County Water District ("the District") will file an application with the Kentucky Public Service Commission ("PSC") for the purpose of adjusting its monthly rates for water service. The District is making this application to comply with the PSC's Order of March 16, 2022 in Case No. 2022-00009. Under the methodology the PSC uses to establish rates for utility service, the District should increase its rates for water service approximately 16.4 percent.

The District's application will be filed pursuant to the procedures set forth in 807 KAR 5:076. Under those procedures, the proposed rates may not be placed into effect until the PSC has issued an order approving the proposed rates or six (6) months from the date of the filing of the application, whichever occurs first.

The District proposes to adjust its rates for water service to Oneida Water in two phases. Phase 1 rates will become effective upon the PSC's approval. Phase 2 rates will become effective one year later. Its proposed rates for water service are as follows:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
Phase 1	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$0.00065	8.23
Phase 2	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46*

If the PSC approves the proposed water rate, the increase in Oneida Water's monthly water bill, based upon an average monthly usage of 3,567 gallons, will be as follows:

Monthly Bill at Current Rate	Monthly Bill at Phase 1 Rate	Monthly Bill Increase (%)	Monthly Bill at Phase 2 Rate	Monthly Bill Increase(%)
\$28.18	\$30.50	8.23	\$32.82	16.46*

*Total change from the present rate after Phase 2 rate takes effect.

Mr. Stephen T Owens
May 14, 2025
Page 2

The PSC has established Case No. 2025-00136 to review the District's application. Any person may examine this application at the District's office, 456 N. Highway 27, Whitley City, Kentucky 42653 or at the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <https://psc.ky.gov/Case/ViewCaseFilings/2025-136>.

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If you have any questions regarding the proposed rate adjustment, please contact me at (606) 376-2540.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Whitaker", written in a cursive style.

Stephen Whitaker
Superintendent



May 14, 2025

Mr. Barry Whitaker
Fibrotex USA
P.O. Box 1238
Stearns, KY 42647-1238

Re: Notice of Adjustment of Rates for Water and Sewer Service

Dear Mr. Whitaker:

On or about May 16, 2025, McCreary County Water District (“the District”) will file applications with the Kentucky Public Service Commission (“PSC”) for the purpose of adjusting its monthly rates for water and sewer service. The District is making these applications to comply with the PSC’s Order of March 16, 2022 in Case No. 2022-00009. Under the methodology the PSC uses to establish rates for utility service, the District should increase its rates for water service approximately 16.4 percent and its rates for sewer service approximately 3.1 percent.

The District’s applications will be filed pursuant to the procedures set forth in 807 KAR 5:076. Under those procedures, the proposed rates may not be placed into effect until the PSC has issued an order approving the proposed rates or six (6) months from the date of the filing of the application, whichever occurs first.

The District proposes to adjust its rates for water service to Fibrotex USA in two phases. Phase 1 rates will become effective upon the PSC’s approval. Phase 2 rates will become effective one year later. Its proposed rates for water service are as follows:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
Phase 1	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$0.00065	8.23
Phase 2	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46*

If the PSC approves the proposed water rate, the increase in Fibrotex USA’s monthly water bill, based upon an average monthly usage of 646,634 gallons, will be as follows:

Monthly Bill at Current Rate	Monthly Bill at Phase 1 Rate	Monthly Bill Increase (%)	Monthly Bill at Phase 2 Rate	Monthly Bill Increase(%)
\$ 5,108.41	\$ 5,528.72	8.23	\$ 5,949.04	16.46*

*Total change from the present rate after Phase 2 rate takes effect.

Mr. Barry Whitaker
May 14, 2025
Page 2

The District proposes to adjust its rates for sewer service effective upon the PSC's approval. Its proposed rates for sewer service to Fibrotex are:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 2,000 Gallons	\$30.03 Minimum Bill	\$ 30.97 Minimum Bill	\$0.94	3.13
Next 18,000 Gallons	0.01048 Per Gallon	0.01081 Per Gallon	\$0.00033	3.15
Over 20,000 Gallons	0.00931 Per Gallon	0.00960 Per Gallon	\$0.00029	3.11

If the PSC approves the proposed sewer rates, the monthly bill for Fibrotex USA, based upon an average of 646,634 gallons of wastewater monthly, will increase from \$6,052.64 to \$6,241.24, or 3.12 percent.

The PSC has established Cases No. 2025-00135 (Sewer) and No. 2025-00136 (Water) to review the District's applications. Any person may examine these applications at the District's office, 456 N. Highway 27, Whitley City, Kentucky 42653 or at the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <https://psc.ky.gov/Case/ViewCaseFilings/2025-135> (Sewer) or <https://psc.ky.gov/Case/ViewCaseFilings/2025-136> (Water).

Comments regarding the applications may be submitted to the PSC through the Commission's Web Site at <http://psc.ky.gov/case/searchcasesPublicComments> or by e-mail to psced@ky.gov or by mail to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

The rates contained in this notice are the rates proposed by the District. However, the PSC may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates in this notice.

A person may submit a timely written request for intervention to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the person's status and interest. If the PSC does not receive a written request for intervention within thirty (30) days of the initial publication of notice, it may take final action on the proposed rates.

If you have any questions regarding the proposed rate adjustment, please contact me at (606) 376-2540.

Sincerely,



Stephen Whitaker
Superintendent



May 14, 2025

Pine Knot Job Corps Civilian Conservation Center
132 Job Corp Rd
Pine Knot, KY 42635

Re: Notice of Adjustment of Rates for Water and Sewer Service

To Whom It May Concern:

On or about May 16, 2025, McCreary County Water District (“the District”) will file applications with the Kentucky Public Service Commission (“PSC”) for the purpose of adjusting its monthly rates for water and sewer service. The District is making these applications to comply with the PSC’s Order of March 16, 2022 in Case No. 2022-00009. Under the methodology the PSC uses to establish rates for utility service, the District should increase its rates for water service approximately 16.4 percent and its rates for sewer service approximately 3.1 percent.

The District’s applications will be filed pursuant to the procedures set forth in 807 KAR 5:076. Under those procedures, the proposed rates may not be placed into effect until the PSC has issued an order approving the proposed rates or six (6) months from the date of the filing of the application, whichever occurs first.

The District proposes to adjust its rates for water service to the Pine Knot Job Corps Civilian Conservation Center in two phases. Phase 1 rates will become effective upon the PSC’s approval. Phase 2 rates will become effective one year later. Its proposed rates for water service are as follows:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
Phase 1	\$0.00790 Per Gallon	\$0.00855 Per Gallon	\$0.00065	8.23
Phase 2	\$0.00790 Per Gallon	\$0.00920 Per Gallon	\$0.00130	16.46*

If the PSC approves the proposed water rate, the increase in the Center’s monthly water bill, based upon an average monthly usage of 482,592 gallons, will be as follows:

Monthly Bill at Current Rate	Monthly Bill at Phase 1 Rate	Monthly Bill Increase (%)	Monthly Bill at Phase 2 Rate	Monthly Bill Increase(%)
\$ 3,812.48	\$ 4,126.17	8.23	\$ 4,439.85	16.46*

*Total change from the present rate after Phase 2 rate takes effect.

The District proposes to adjust its rates for sewer service effective upon the PSC's approval. Its proposed rates for sewer service to the Center are:

	Present Rate	Proposed Rate	Change (\$)	Change (%)
First 2,000 Gallons	\$30.03 Minimum Bill	\$ 30.97 Minimum Bill	\$0.94	3.13
Next 18,000 Gallons	0.01048 Per Gallon	0.01081 Per Gallon	\$0.00033	3.15
Over 20,000 Gallons	0.00931 Per Gallon	0.00960 Per Gallon	\$0.00029	3.11

If the PSC approves the proposed sewer rates, the monthly bill for the Center, based upon a monthly average of 280,250 gallons of wastewater, will increase from \$2,641.60 to \$2,723.95, or 3.12 percent.

The PSC has established Cases No. 2025-00135 (Sewer) and No. 2025-00136 (Water) to review the District's applications. Any person may examine these applications at the District's office, 456 N. Highway 27, Whitley City, Kentucky 42653 or at the PSC's offices at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's Web site at <https://psc.ky.gov/Case/ViewCaseFilings/2025-135> (Sewer) or <https://psc.ky.gov/Case/ViewCaseFilings/2025-136> (Water).

Comments regarding the applications may be submitted to the PSC through the Commission's Web Site at <http://psc.ky.gov/case/searchcasesPublicComments> or by e-mail to psced@ky.gov or by mail to Kentucky Public Service Commission, P.O. Box 615, Frankfort, Kentucky 40602.

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If you have any questions regarding the proposed rate adjustment, please contact me at (606) 376-2540.

Sincerely,



Stephen Whitaker
Superintendent

EXHIBIT L

EXHIBIT L

DOCUMENTS EMBEDDED IN APPLICATION AND FILED SEPARATELY WITH APPLICATION

File Name	Description
001_ExhibitF_DepreciationSchedule.xlsx	Exhibit F – Depreciation Schedule (Excel Spreadsheet)
002_RateStudy.xlsx	Rate Study upon which the Application for Rate Adjustment is based (Excel Spreadsheet)

Note: The files listed above are embedded in the portable document format (“PDF”) version of the Application. Each of the files can be accessed by viewing the Application with Adobe Acrobat, Adobe Acrobat Reader, Kofax Power PDF or other commercially available PDF software viewers. In Adobe Acrobat, Adobe Acrobat Reader or Kofax Power PDF, the embedded files can be viewed by clicking the paperclip icon that appears on the left of the screen.